THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE BRITISH COMMONWEALTH

CONTENTS

No. 102. MARCH 1936 Price 5/-

London: MACMILLAN & CO., LTD.

Entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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KING AND EMPIRE

WITHIN a bare six months of the Silver Jubilee the rejoicing of the Empire has turned to sorrow and a much-loved King is no more. His Majesty spoke on the wireless to all the Empire on Christmas Day. Delicate though he had been ever since his illness in 1928, he was generally believed to be standing the winter well, and had shown no weakening in his power of work or in his grasp of the manifold business that the King transacts. It was known, however, that his resistance was small, and that any further illness, however slight, might all too probably be fatal to him. So, to our grief, it proved. The first warning was given on Friday, January 17, late at night. After three days of anxiety, during which the whole world watched for the bulletins from Sandringham, where he lay, on the evening of January 20 His Majesty sank rapidly, and died peacefully a few minutes before midnight. He was not quite midway between his seventy-first and seventy-second year.

The press of every continent has described at length the touching ceremonies that ensued. Carried in simple majesty to the Empire's capital, and received by the two Houses of Parliament in Westminster Hall, His Majesty's body lay there in state for four days, while an unbroken stream of sorrowing subjects passed silently through the ancient twilight to pay their final homage. For a time during the last night of that vigil, the young King and his three brothers themselves stood guard about the bier. On January 28 King George V was borne to his last resting place in St. George's Chapel, Windsor, amid respectful crowds that exceeded in number even those of the Jubilee. A great chapter in the history of the Empire was closed; another chapter, pregnant of many changes, had begun.

This is unquestionably the general feeling, though historians may tell us that it is no longer scientific to measure periods of history by the reigns of kings. Of all the leaders who saw Europe or the Empire or America through the Great War, George the Fifth of England and the Dominions beyond the Sea was the last to lay down his office. His experience bridged the gulf between the pre-war and post-war worlds; it was therefore longer than that of any statesman now in power. For twenty-five years he had stood unflinchingly upon the bridge of that great ship, the British Empire, which bears the fortunes of a quarter of the globe, and had become a centre of quiet stability and wisdom in times distracted by constant change. The loss of such a personality is not easily made good; its passing means of necessity that another era opens and new forces begin to tell, since personality is all-pervasive when it radiates from the Throne. Tradition holds deep sway among us; the driving power of our institutions neither falters nor flags; our representative system shows no strain; the constitutional engines revolve; the great ship forges steadily on. Such is the strength of freedom knit with law. But from the bridge of the ship a central figure of ripe experience and proved stability is gone.

In moving the resolutions of condolence to King Edward and Queen Mary, both Mr. Baldwin for the Government, and Mr. Attlee for the Socialist Opposition, laid emphasis upon that fact. Year by year, King George won for himself an increasing trust, and with it a spiritual authority which had not been given in that form or measure to any of his predecessors upon the Throne. He never strove for it; he was himself amazed to discover, in the latter part of his reign, that it was there. By virtue of quiet and simple wisdom, of hard and many-sided experience, of wide human sympathy, of shining integrity and of sheer goodness of heart, he achieved a greatness which places him for ever amongst the noblest and most honoured

of our Kings. At the meeting of Parliament before the ceremony in Westminster Hall, when Parliament received the body of their King for his lying-in-state, Mr. Baldwin, speaking for " the immemorial procession of the Commons ", carried the House back to the first Edward, who was also the first of our Kings to try to rule through law. Of him—so ran the Prime Minister's words—" one of our greatest historians said that he saw what was best for his age and for his people, led the way and kept the faith." No better words can be found for the life-work of King George, whose destiny and whose achievement it was to wed democracy and monarchy in a manner never dreamt of before, and thus to give new and vital significance to the welding power of the Crown. Of the four great European Sovereignties that held together a union of varied peoples before 1914 his alone survives. The peoples of the Empire, however much they and their leaders desired it, could not have made that marriage of old and new, of ancient tradition and modern thought, by their own unaided will. Instinct was indispensable in the wearer of the Crown. King George's instinct amounted to genius, and it never faltered. In his latter years especially, as witness the speeches he made throughout the Jubilee, his sureness of touch and understanding were supreme.

Nor was that all. We mourn his death with a sense of loss more intimate and personal than normally attends the passing of even the greatest Kings, and that because he identified himself with his people by a gift of human fellowship which carried his simple personality into every English-speaking home. The invention of wireless no doubt immensely facilitated this personal touch between Sovereign and subject; but the force that brought it into being was the human heart and mind of the King. When in his Christmas broadcasts he spoke as the father of a world-wide family, he was using the only metaphor that could adequately convey his feeling for his peoples and

theirs for him. The fact that this intimate regard was shared by the people of the United States shows how much of it was due to his personality, giving new significance to the supreme and ancient office that he held. It may indeed seem strange that a King who never worked for effect or tried to assert himself in the eyes of the world should in fact have made a deeper impression on his times than many of his predecessors with greater constitutional power and markedly imperious wills; but undoubtedly, for all its modesty, it was King George's character that told. There was never any artifice in the words His Majesty used; there was just himself, with the background of a life in which, for all its trials, there was nothing to conceal.

From beginning to end, that life had been dedicated without reserve to duty as he saw it, and he always saw his duty clear. It was, moreover, simple despite the ancient splendour in which it sometimes moved, and it was marked by homely traits that endeared him to his whole realm. Everyone, for instance, was aware that he loved his family and liked to have them about, that he petted his animals, that he enjoyed many kinds of sport, and that he laughed wholeheartedly at jokes, including his own. Everyone appreciated his unassuming rectitude and the pattern of family life that he set to his age, with the help of a devoted and highly gifted Queen. Everyone, in short, felt the better for having such a King. To be a gallant and simple gentleman is always to be of service to the world; it is of even greater service to be one in the light and shadow of a Throne. Goodness is always goodness, but it is raised to a peculiar power when it graces a life that is lived perforce with the whole world for its stage. Little wonder that for a moment of history, between his death and his burial, his passing made the whole world kin.

Of him indeed, as of very few of the great ones of this world, the lines of Rudyard Kipling stand true :—

He scarce had need to doff his pride or slough the dross of earth—
E'en as he trod that day to God, so walked he from his birth,
In simpleness and gentleness and honour and clean mirth.

It was well for us that this quiet and upright King brought to his reign the very qualities it most required. Having served the Empire faithfully through twenty-five years of constant change and stress, he is one with the great company of its immortal dead, and his name will be part of its history so long as that history endures.

Throughout his Empire his subjects have given their heartfelt sympathy to the Queen. No King in all our annals has had a more faithful Consort to share his burdens and sweeten his life. Her Majesty has played her part throughout her husband's troubled reign with courage, with dignity, with charm and with a sense of duty not second to his own. She will keep the love of his peoples as long as she lives. In the roll of English Queens there is none but Elizabeth and Victoria, Queens in their own right, who have served their people more signally than she.

King Edward is forty-one—four years younger than his father was when he ascended the Throne—and he still looks younger than his years. His Majesty is one of the shattered generation that gave its best and bravest to the war, and that fact may prove immensely significant. King George, as we have said, bridged the gulf between the pre-war and post-war worlds. In these latter years, however, a new gulf has arisen; it divides the generation that stood the strain of war from a later generation, which, remembering nothing of the war and its causes, sees only the bitter consequences and condemns what it sees. In the mind of this new generation the emphasis has passed from freedom to social reform and peace. Hundreds of young men have been leaving the universities embittered

with things as they are, because there is no adequate demand for the capacity that their talent and training have given them. The same discontent, in a different form, is naturally strong among the far larger number who are leaving the elementary and secondary schools and have to wring a living from society or become the pensioners of the state. All these are at enmity with the system into which they were born. They attribute its injustice, as they see it, to capitalism and war, and they are therefore socialists and pacifists, set upon the creation of a new economic order and the cult of universal peace. These inchoate but fundamentally reasonable ideas, both material and spiritual, are carrying us by one experiment after another to a new economic and social order, and no one feels more strongly than the King the need that all Governments should strive unceasingly for what he himself has described in simple English as " better times for all ".

So far as this, the heart of the Empire, is concerned, here lies one of the central problems of the new reign. King Edward, though his memories go back to the war, though he graduated in that hard university and found his manhood there, is close in spirit to all this unhappiness and unrest. He has studied it at first hand; he knows what poverty means; he understands the bitterness of men and women who feel that a great country should at least be able to ensure them a decent and steady job. He realises also that, slowly as the face of things alters in England, there remains in its heart but little patience with unearned privilege and hereditary rank. No King has ever mounted the Throne with such an intimate and understanding grasp of what the masses of his people think and feel. The people know it, and they trust him to keep that sympathy bright and keen. King George became a people's King. King Edward begins as a people's King.

With social and economic problems in the Dominions he will not have so close a touch; but he knows and

understands their varied peoples most intimately too. During recent years there has been one marked difference between the Sovereign and his political advisers, from whatever region of the Empire or whatever party they may have sprung. Politicians throughout the Empire are principally concerned with the electorates to which they owe their power; they think of the Empire when need arises, but they do not think of it all the time. Not so the Sovereign. The Empire as an Empire—its welfare, its cohesion, its security—was always in King George's mind, informing his feelings and his thoughts. One of his last spoken enquiries, the Prime Minister has told us, was for that Empire, which had been so wonderfully saved and mightily transformed during his anxious reign. Some change of ideas will necessarily mark King Edward's tenure of the Throne, but in constant care for the Empire as a whole there will be no change. He feels himself as much a part of every young Dominion as of the Crown's most ancient realm. He knows the speech, the humour, the turn of mind, the atmosphere, the life of each and all. Their very youth appeals to him, the confidence, the frankness and the freedom of their ways. If, then, he is a people's King in Great Britain, he is no whit less such a King for all the nations of the Empire. To know the Empire from books or even from Imperial Conferences is hardly to know it at all. His Majesty knows and loves it as a sailor knows and loves the sea. What better title to such an Empire could any Sovereign claim?

Earnestness for the welfare of all his peoples this King will never lose. But social and economic problems, vast as their importance is, are not the only care that he will have. An ancient spectre, that of war, which also he understands, is lifting its hateful head. The terrible sacrifice undergone so short a time ago to make the world "safe for democracy" has not, after sixteen years of waning hope, produced that result, and democracy has once more to demonstrate its will and power to survive. This is no

place in which to analyse again the problem of security that confronts the Empire and the League, but we must not blind ourselves to the fact that King Edward's reign, like his father's before him, opens under a menace which the statesmen and peoples of the Empire can no longer safely ignore. THE ROUND TABLE was founded in the first year of King George's reign, and called from its very outset for preparation against the German danger, not because it had capitalistic interests to serve, but because its founders believed that the first duty and also the first necessity of the nations of the Empire was to protect their freedom and the promise of their commonwealth against an autocracy determined to make its militarist culture the strongest power on earth. Now, once again, the challenge is thrown down.

Two questions, writes a great Liberal historian of Liberalism, are prompted by Europe in its present state *:—

> Will the peace be preserved? Can liberty survive? These questions have often been asked before, but never with the implications which they must now carry, for to each question there is to-day attached an aspect which is entirely novel and unprecedented. Aviation has come into war. A new scientific technique and apparatus for propaganda has come into politics. Antiquity has never beheld despotisms so penetrating and all-pervasive as those which with the help of modern mechanism it has been so easy to set up in Russia, in Italy and in Germany. It is a light matter now for any government with the tremendous means at its disposal to decree and to enforce the spiritual servitude of the totalitarian state. Equally, it will be a light matter on the outbreak of hostilities for any Power well served in the air to lay whole cities in ruins almost before the enemy population has woken up to the fact that it is at war.

Great Britain, the heart of the Empire, is therefore no longer secure behind her moat of sea; and assuredly no subject realises more keenly than the King that the danger is real and that a decisive part of the history of his reign

* *A History of Europe*, by the Right Hon. H. A. L. Fisher, Warden of New College, Oxford. Vol. III, p. 1217.

will be made in the air. He proved that by his first gesture, flying as he did from Sandringham to London to attend the Council that proclaimed his accession to the Throne. He is, moreover, a sailor's son, widely travelled himself in all parts of the globe, and none is therefore less likely to forget that in a world such as ours to-day a maritime Empire needs paying ships of its own to bear its trade, and serving ships of its own to guard its trade, on all the seven seas.

Let none suppose, however, that the King will wish his peoples to put their faith in the power of arms alone. We cannot resist the spreading doctrine of autocracy and militarism by surrendering to it ourselves. Fascism in England would be suicide for England herself and the destruction of the Commonwealth. Not for any of our nations the philosophy of power, which sacrifices individual character, be it of man or of nation, to an overriding state. But neither can we rest upon a system so little organised for common action as that which we now possess. If we should seek to do so, then also freedom would perish from the earth. "In international affairs", we wrote in this review six months ago, "the co-operation of exclusive national sovereignties cannot be the last word in political organisation, if freedom is the goal." There stands the fundamental problem of our parliamentary Commonwealth, confronted in this new reign by a revival of military despotism with powers more absolute than despotism has ever wielded before.

Warmer light and colder shadow could hardly chequer the road that stretches before King Edward and his peoples as he steps to the head of the moving column and takes his father's place. It is fortunate that he knows his peoples well from personal contact and not from books. Never indeed was a Sovereign so close in mind to an Empire of many races on first succeeding to the Crown. Books have at no time attracted him, and he will probably find the drudgery of papers that a Sovereign must sift or sign

more harassing than did his father, who took easily to routine. But that he will surely discover his own way to overcome. "Dinner with the King," records the late Lord Esher * in his diary at Windsor for January 23, 1908, two years before King Edward the Seventh died.

> After dinner talked on old family affairs to the Princess of Wales. She is worried about the bad spelling of her eldest boy, David, but he is wonderfully bright otherwise, so it is not very important.

Lord Esher was right. That David, now King Edward, was then a boy of thirteen. Tutor, schoolmaster and don no doubt did their best thereafter; but books and papers have never been his affair, for he preferred to learn from the speech and life and action of men. In talk he gathers quickly and surely what there is to know, and the gist of his catholic experience of men and their ideas is stored in a keen and receptive brain. He has, moreover, the statesman's sense of judgment, and a gift for penetrating through tradition, misty-mindedness and make-believe to the inner reality of things. Of all the lessons a Sovereign, like other men, must learn, patience is the hardest; but the King is no stranger to the conduct of great affairs, and he has been schooled by a closer contact with the difficulties and delays of government than any previous Heir to the Crown. One other priceless asset he possesses, which no one, as Barrie has told us, can ever lightly define, and that is an irresistible charm. Whatever, then, the shadows that overhang the opening of his reign, this Sovereign will strive, and this Sovereign will deserve, to lead his peoples into sunnier climes. Hope and love, for all our troubles, surround him on every side, and he brings the spirit of youth to the world-wide influence and horizon of the Throne. The King is dead; long live the King.

* *Journals and Letters*, Vol. II, p. 277.

THE ROOT OF OUR PRESENT DISCONTENTS

I. The Peace Settlements of Vienna and Paris

ARMAMENTS are the thermometer of the world's international health. If they are rising it is proof of fever which may end in the tragedy of war. If they are stabilised or falling it is proof of returning health and sanity. Judged by this test there is no doubt that, despite the sudden vitality of the League in dealing with the Abyssinian war, the world is very sick. There is not a nation, whether it be dictatorship or democracy, socialist or capitalist, whether situated near the danger zones in Europe and the Far East or in less troubled latitudes, that to-day is not feverishly expanding its armaments, under an increasing fear of war. What is the cause of this baleful manifestation, of the failure of the continuous and concerted efforts that have been made since 1918 to find a lasting basis for peace? Unless we can discover and remove that cause, and so stop the competition in armaments, it is difficult to see how we are to escape another world war in the not very distant future.

The fashionable explanations may be summarised as follows: the undue severity of the Treaty of Versailles; the refusal of the United States to join the League of Nations and ratify the treaty of guarantee to France; the vindictiveness of France towards republican Germany; the hesitation of Great Britain to give those guarantees to France that might have moderated her attitude while the German Republic was in existence; the militant imperialism of Japan, Italy and Germany. Communists will attribute our sickness almost entirely to competition engendered by a profiteering capitalism. All these, no doubt, are elements

that have contributed to the downward trend from the high hope of the Wilsonian era, that the Great War would be the last world war, because the victorious democracies were going to bring a new international order into being. But there is another and more cogent explanation of our immediate troubles than any of these.

Frank Simonds, in a recent depressing but remarkable book,* has drawn an interesting parallel between the work of the Congress of Vienna in 1815 and that of the Peace Conference in Paris in 1919. The Congress of Vienna drew up a peace settlement which included the establishment of a permanent concert between the European great Powers for the preservation of peace. According to the ideas of the time, the settlement was not unsound, and there was no general war for a century. But the Vienna Congress failed to take into account the then feeble but rapidly growing force of political nationalism; and gradually this force undermined its handiwork, sometimes by peaceful adjustments, more often by localised wars,† until its threat to the existence of the Austro-Hungarian Empire precipitated the world war of 1914. President Wilson's fourteen points, which were the agreed basis of the peace settlements made for Europe in 1919 and for the Far East in Washington in 1922, gave full play to that principle of universal national self-determination, which had failed to win recognition a century before at Vienna. Except for a refusal to allow the Austrian and German peoples to attain racial unity by the *Anschluss*, if they should wish to do so, and for a number of relatively minor frontier injustices mainly affecting Hungary, the Paris–Washington treaties were the best political settlements ever made after a great war. The treaties contained, moreover, in the Covenant of the League of Nations, an instrument for the preservation of peace more universal and fundamentally

* *The Price of Peace*, by Frank Simonds and Brooks Emeny.

† *E.g.* in Italy, in Austria, in Alsace-Lorraine, and several times in the Balkan peninsula.

far more sound than the old Concert. There is little doubt, too, that even the ban on the *Anschluss* could have been removed, the necessary frontier and colonial rectifications could have been made, and the League would have been an adequate instrument for the prevention of war, had not the Paris Conference been as blind to an element fundamental to a lasting solution in this century as the Vienna Congress had been to the import of political nationalism a century before.

The Paris Peace Conference, while making full room for nationalism, utterly failed to realise that to allow that nationalism to extend as fully in the economic as in the political sphere was to create a force as fatal to peace as was the failure of Vienna to make room for political nationalism itself.

This catastrophic mistake operated in two ways. It resulted, in the first place, in a burden of reparations upon the defeated countries, and of war debts upon the victorious Allies, which they were quite incapable of paying, especially when the ultimate creditor country, the United States, continually raised its tariff as its debtors made increasingly vigorous efforts to pay their obligations through the ordinary channels of trade. This aspect of the Paris mistake has now been exposed, in the German inflation that followed the Ruhr debt-collecting expedition, and in the world depression and the destruction of the international gold standard, which resulted as soon as the United States, and to a less extent Great Britain, ceased trying to disguise the consequences of this inflated war indebtedness by lending to Germany, the principal debtor, the wherewithal to pay. It has ended in a practical cancellation of reparations and war debts, and a considerable writing-down of other forms of international indebtedness both public and private, but at the price not only of intense suffering everywhere but also of the overthrow of democracy and the rise of dictatorships in one country after another throughout the world.

The second aspect of the Paris mistake in economics still persists—the undiminished determination of practically all sovereign nations to become economically as self-supporting as possible, to produce for themselves as much of their own food, raw materials and manufactures as they can. This economic nationalism, caused partly by fear of war, partly by the nationalist desire for a rounded economic life, and partly by the organised pressure of vested interests, has perpetuated and intensified the economic dislocation arising from the war and the attempt to collect war debts and reparations. It has had three major effects. It has immensely lessened the volume of international trade, and thwarted that continuous economic development of the backward parts of the world which was characteristic of the pre-war era, and which not only raised the standard of living of those parts, but at the same time gave employment to capital and labour in the industrial nations. It has thus caused unemployment everywhere. It has made it increasingly difficult for certain industrialised countries, notably Germany, Italy and Japan, to pay for those essential foodstuffs and raw materials, such as coal, iron ore, rubber, coffee, cotton, nickel, wool, tin, petroleum and aluminium, which they do not produce within their own countries, by paying for them by exports of their own manufactures; for other nations are unwilling to receive such exports. And it has almost stopped migration from over-populated Europe to the new world, partly because nationalism has made States more critical of the type of immigrant they are prepared to admit to citizenship, but far more because they will not admit immigrants unless they know there will be a market for the primary products the new-comers will produce.

The troubles of the contemporary world, therefore, are not political, in the narrower sense of that word, but economic in their origin. The main failure of the Paris Conference was not political—the frontiers it laid down—but economic. The Paris settlement would have succeeded

well enough if the United States had joined the League, if the League had immediately and successfully tackled the reparations and war debt problem, and if it had managed to reduce trade barriers to such moderate dimensions that world development could have been resumed and the consequential adjustments between world supply and demand could have been made through the price system and migration, as they were during the latter half of the preceding century. In fact, however, all nations, headed by the United States, have surrendered to economic nationalism, and to-day we are faced with its consequences—universal unemployment, social discontent ending in dictatorship, the renewed competition in armaments, and the rising threat of war.

II. The Problem of the "Suffocated" Powers

IT is no accident, nor the result of any special malignity, that the menace to the world's peace springs to-day from Japan, Italy and Germany. Except that Germany desires the reunion of all German majorities within her national State (principally by the *Anschluss*) and is prevented from sending troops into the Rhineland for purposes of defence, none of these States has any grievances of the old nationalist kind. They have national unity and self-government. Their fundamental grievance in each case is economic. They see no way of ending unemployment or of securing a reasonably rising standard of living for their peoples in their own territories. They are what have been called the economically "suffocated" Powers. Unemployment, and still more the lack of any assured economic future, has had in each case three fateful consequences: first, the establishment of some kind of autocratic government in order to maintain order at home—a form of government, however, that is quite unable to solve the problems by which it is confronted, despite its powers, because they are external in origin; second, the impregnation of the youth of the country with

the conviction that only by war, or by a readiness to make the sacrifices involved in war, can their country's salvation be found; and, third, in Japan and Italy to imperialist foreign war, partly as a distraction but mainly in the hope that it will lead to the control of territory from which raw materials can be obtained and in which their own products can be sold or their surplus population settle. Unless some remedy can be found, it is inevitable that when she has recovered her military strength Germany will be driven along the same course.

For under the régime of economic nationalism, neither the other nations, nor the League, have yet done anything effective to meet the fundamental economic needs of the discontented Powers. The League, indeed, has so far been mainly concerned to resist attempts at expansion by way of aggression, and has scarcely even tried to remove the fundamental economic restrictions making for aggression. The other great Powers of the world—the self-governing nations of the British Commonwealth, Russia, France and the United States—though themselves affected by the universal economic nationalism—have relatively satisfactory access to raw materials or preferential markets or opportunities for migration within their own national or imperial domain, and support the League—or are friendly to its policy—as an instrument for maintaining the political and economic *status quo* by which they benefit. The small nations, while some of them also are interested in the questions of markets and raw materials, are huddled together in support of the League because their principal fear is that a general war might result in the loss of their own political independence or integrity.

If these conditions are allowed to continue, if the world continues to be divided into watertight economic compartments, some of which are able to maintain a much higher standard of living than others, two results are inevitable. The first is a continuing series of crises, leading to the formation of a military alliance system embracing all

Europe, Asia and Africa, and ending in another world war. We have had two premonitory explosions already, one in Manchuria, the other in Abyssinia. Signs of an impending third explosion in central Europe when Germany is fully re-armed are already manifest. Unless something effective is done to relieve the economic pressures that cause this tension, the whole world outside America may be ranged in a new balance of power, one side concerned with the maintenance of the *status quo* and ranged under the Covenant of the League, and the other a frankly expansionist alliance. And if such a Eur-Asian conflict arose, inevitably far more savage and violent than the war of 1914, it is certain that the American republics could not long keep out, if only because the British Commonwealth is the outer ring of American security. If it were ever in doubt, as it was in 1916, whether the military expansionist Powers or the western democracies were going to win, and if it became possible that dictatorial Germany, Italy or Japan might inherit the British and French possessions in the Pacific or the Atlantic, the United States and the other republics after her would be quite unable to keep neutral, out of regard for their own security.

III. ECONOMIC NATIONALISM, SOCIALISM, AND THE COLONIAL QUESTION

BUT a further internal effect of economic nationalism must be noted. The struggle between sheltered and unsheltered industries, the unemployment and the consequential public works programmes and higher taxation, caused by the closing of the channels of international trade and unbalanced international indebtedness, have forced every government to interfere more and more in the internal life of its own country. As this process continues and appears more and more likely to be permanent, an internal political struggle sets in over the question whether that interference is to be in the interests of property or in

those of the proletariat. In other words, economic nationalism is having the effect, not only of hastening and intensifying the controversy between socialism and capitalism—which in any case is likely to be the central political issue of this century—but also of forcing it towards extreme and violent forces, towards communism on one side and fascism on the other. This is not the place or occasion to discuss the merits or demerits of socialism or capitalism as an economic system. But there can be little doubt in the minds of readers of this review that the right way forward, whatever it may be, is along constitutional lines. Economic nationalism is making that road increasingly difficult to follow.

If the diagnosis of this article is correct, it is the practice of sovereignty in the economic field, given unrestricted play in Paris in 1919, that is the root cause of those tensions which are driving nations towards imperialism, alliances and war in external affairs, towards dictatorship and revolution at home. There are other causes, no doubt. But the most urgent and dynamic pressure towards war and revolution springs from that cause; and only if economic nationalism can be moderated sufficiently to lessen that pressure, and to give the nations a reasonable prospect of raising their standards of living by pacific means, will the present trend towards armaments, dictatorship and war be abated. Even the defeat of Signor Mussolini's aggression in Abyssinia, unless it is accompanied by a far more ambitious attempt to deal with economic nationalism, will do little to remove the fundamental causes making for war to-day.

It is not the purpose of this article to discuss ways and means of doing this. Its object is to direct attention to the essential nature of the problem that confronts those who seek to prevent war. But very briefly it seems to fall into two parts. The first is to remove by agreement the last elements of that political discrimination against Germany which has given power to the National Socialist

régime.* That will not solve the problem, but there will be no real pacification in Europe until unilateral discrimination is ended. The second is to grapple with economic nationalism itself. Fundamentally it is a question of making possible a renewal of international trade, investment and migration by a reduction of the general international restrictions on the flow of goods, capital and migrants. That is the only remedy capable of affecting employment and the standard of living on the scale that is necessary.

The colonial question enters into the problem, but for reasons of national pride and *amour propre* far more than for economic reasons. The only considerable colonial area left in the world is Africa between the Sahara and the Zambesi. The peoples of Asia are rapidly moving towards self-government, and even the peoples of central Africa are beginning to become politically self-conscious and to have a real voice in their own administration. While there is much that could be done in the colonial field, in such matters as the open door for commerce, facilities for investment, the extension and revision of the mandate system, as part of an all-round peace settlement, the roots of the problem do not lie in Africa. Economically, countries like the Argentine and the self-governing Dominions and India, with tariffs and currencies of their own, have always been more important "colonies" for Great Britain than the crown colonies proper. The question raised by Sir Samuel Hoare in his Geneva speech of September last, whether countries without adequate natural resources in their own territories or in colonies they control cannot be enabled to buy foodstuffs or raw materials by exchanging them for

* It is interesting to note the list of German claims set out in an apparently inspired article in the *Frankfurter Zeitung* of February 4. Now that the reparations and military clauses of the Versailles treaty are ended, states the article, Germany's main revisionist aims concern: (1) the internationalised German waterways; (2) the distress in Memel and Danzig; (3) the one-sided regulations of the Rhineland demilitarised zone; (4) the former German colonies; (5) revision of the League Covenant by disconnecting it from the Versailles treaty itself.

their own manufactures, is, perhaps, the aspect of the colonial problem that has most bearing on the problem under discussion. Territorial changes are the most difficult to agree upon and certainly cannot be considered until the fear of war has been lessened by a slackening of economic tension in some other way. An article on some aspects of the raw materials question appears elsewhere in this review.*

The heart of our present discontents lies in the pressures of unrestrained economic nationalism, set loose on the world by the policy of universal political self-determination, without free trade, upon which, under Anglo-Saxon influence, the Paris settlement was based. Either the nations can relax that nationalism, and once more make possible the adjustment of supply and demand, the world development by trade, investment and migration, that are essential to the continuance of democracy, to the peaceful survival of individual enterprise as the basis of our economic system, and to the avoidance of war and the success of the League. Or they can shut their eyes to the inevitable consequences of an entirely self-centred economic policy, and stumble blindly towards a new abyss of fascism, communism and war.

* See below, p. 306.

FRANCE AND THE CRISIS

EDITOR'S NOTE.—*At our request, a distinguished French publicist has written for* THE ROUND TABLE *this analysis of French opinion on the Italo-Abyssinian conflict and its repercussions. The article is a free translation from the original French.*

THE Italo-Abyssinian conflict is a matter of profound concern to French opinion, both in itself and on account of its international repercussions. Some of its various reactions have provoked a certain amount of surprise, particularly in Great Britain. Considerations of internal politics, questions of principle, of personalities and of political groups have been superimposed upon the issues of foreign policy, and a section of the press has not always managed to keep its head. Abroad, the general conclusion has been that French opinion is deeply divided on the Abyssinian problem. But the differences have actually been more on the surface than real. It is safe to say that in this business, contrary to all seeming, French opinion is extraordinarily united. As always, however, a distinction must be drawn between Paris and the provinces, between what is said and written in the capital and what remains unspoken and unwritten in the rest of the country. If a foreigner is to understand France he must always beware of Paris. Paris is a huge city, emotional, captious, always ready for a quarrel, yet always ready to forget, distracted by currents of passion of all kinds. But it is not Paris that leads French politics; still less does it represent the opinion of the country.

If you wish to plumb this French opinion, and really to

know what is going on in the minds of the 40 million people who make up this nation, take the train from any station you please in Paris. Travel for an hour or two, or 15 hours if you like, for the distance matters little. As soon as you have put some 50 kilometres behind you, you will be in provincial France. North, south, east or west, on certain fundamental points the reactions of the provinces are identical. Leave your train at the first station that takes your fancy. Follow the street leading to the main square of the town. Sit down in one of those cosy, quiet cafés to which, when the day's work is over, come the public officials, the business men, the retired people, all that world of *petits bourgeois* which forms the real core of this country, to meet together and discuss the affairs of the day. Get into conversation with them. Plainly some are supporters of the Right, others of the Left, and on certain subjects you will find them vigorously opposed—yet even there more in theory than in practice. But if the talk is of French foreign policy, and particularly of the Italo-Abyssinian conflict, you will be surprised at the extent to which their minds are working on the same lines.

I. French Opinion and Italian Aggression

Among 40 million French people, you could scarcely find more than a few thousand ready to applaud Mussolini for having preferred violence to negotiation, and for having embarked on this military escapade simply for the pleasure of making war, when he had been offered, in August at Paris and in September at Geneva, a diplomatic settlement that would have allowed him to achieve, with a little patience and dexterity, his essential aims in Abyssinia. To the typical Frenchman, this military expedition in the grand style appears dangerous, costly, and incapable of adding anything to the military glory of Italy, since the opposing forces are so unequal. Hence he regards the Duce's breach of the Covenant of the League of Nations

as inexcusable. It is not that the Frenchman reposes an unrestricted confidence in the League of Nations. He knows too well its defects, its shortcomings, its weaknesses. He recognises that the absence of the United States, of Japan, and of Germany makes the Geneva structure exceedingly fragile. Nevertheless, the ideas behind the League of Nations, the principles on which it is built, correspond exactly to the Frenchman's conception of international affairs and of world peace. He views with misgiving anything that might add to its weaknesses. Mussolini's breach of the Covenant is bound, therefore, to appear to him in a sinister light.

The French, moreover, have had a long colonial experience, and are well aware that a forward colonial policy demands above all patience, adroitness, and time. They have never been believers in colonial conquest pure and simple. They have put Marshal Lyautey on a pedestal—Marshal Lyautey, who refused the very title of conqueror and whose methods of pacification were the reverse of those that Mussolini has chosen. From the first, the typical Frenchman has therefore considered that Italy was committing a colossal technical error in tackling the Abyssinian problem as she did. France would never have behaved in that way. Her colonial policy has always been to court the central government, with the aim of becoming its secular arm and of gradually pacifying the resisting elements in the name of this central government, like oil spreading over the water. But to declare war on the central government, to transport an army of 300,000 men, and to stake one's all upon an adventure that must succeed or fail in a few months, seemed to the French people one vast mistake. Hence they have regarded the Abyssinian expedition with a suspicious eye, all the more in that it might have serious repercussions in north and west Africa.

For all these reasons our typical Frenchman hoped up to the last moment that it would be possible to find an amicable settlement for the Italo-Abyssinian problem.

This hope having been dashed, and Italy having chosen otherwise, he became definitely of the opinion that the Covenant of the League must be brought into play, that Italy's act of aggression on October 3 must be recognised for what it was, and that Article 16 must automatically come into force as far as financial and commercial sanctions were concerned.

This same bourgeois Frenchman argues nevertheless that, if Mussolini made a grave mistake in pushing forward this colonial operation in the face of world opinion, it would be a still graver mistake, by a process of logic gone mad, to transform a conflict that is, after all, relatively unimportant into a general European outbreak. The chief anxiety of French opinion, once war had broken out in Abyssinia, was to keep a sense of proportion about these events, and to prevent a chimney on fire in the Geneva mansion from becoming a general conflagration. It cannot be too often repeated that France is essentially and profoundly peace-loving. She lost a million and a half of the finest flower of her stock in the course of a four-years war that devastated ten departments. Such an experience leaves behind it for many years a horror of so barbarous and senseless a calamity. Hence the idea of a war against Italy, even if it involved only mere formal gestures, was repugnant to the French people. Nor could they be persuaded that it was sensible to make war as a demonstration against war.

On top of all this, France believes that Italy remains a powerful factor in the European situation. The problems of to-morrow will not arise only in eastern, but also in central Europe. We all have need of Italy as an insurance against the aggravation of these problems. It seemed to France an error of judgment to break up the indispensable union of Europe, in the shape in which it had been fashioned at Stresa, for the sake of an Abyssinian quarrel. For years Rome had adopted a violent anti-French attitude, which had greatly handicapped the organisation of European

peace. It was an obstacle to the necessary settlement of the relations between the Succession States of the Austro-Hungarian empire. It was a powerful stimulus to the material and moral rearmament of Germany. Following certain developments, the Government at Rome modified its attitude, and a Franco-Italian *rapprochement* grew from 1934 onwards. It was crowned at Rome on January 7, 1935, by general and particular agreements that liquidated the past and opened up a new era in the relations between the two neighbouring Powers. France looked upon those agreements with a great deal of satisfaction. They rescued her from an anxiety about her Alpine frontier, which, although never grave, was quite disturbing enough, and above all they allowed her to co-operate with Italy in a policy of reconstruction and pacification in central Europe, a policy that forms one of the critical elements in the maintenance of general peace. Great Britain went far to encourage that *détente* and *entente*. And now, hardly six months after events so full of hope, a new tension threatened to arise between France and Italy, a tension that might even develop into a rupture of relations and into acts of war—an appalling prospect.

Another consideration has been equally powerful in persuading the French people to keep a necessary sense of proportion—a consideration that should be shared by British opinion. It is this. If it is important, indeed vital, that the Covenant of the League of Nations should be respected by all its members, then it would be foolish to push matters to the point where a great white Power would have to capitulate to an African country, of which it could not even be said that it formed a coherent nation, and which occupied but a lowly rank in the scale of civilisation.

France is a great colonial Power. She well knows what prestige must attach to the action of a great European country. Mussolini, it is true, has committed an unforgivable error in hurling himself into an ill-considered

adventure and in thereby compromising the solidarity of the great white Powers; but when that has been admitted, *it is essential to weigh the consequences carefully and to avoid making them worse. The French people hope that before it is too late a settlement can be found for this miserable Abyssinian affair*, a settlement consistent at once with the authority of the League of Nations, the honour and responsibilities of Italy, and the rights that Abyssinia derives from her presence at Geneva. This is plainly something like squaring the circle. Indeed no solution could be fully satisfactory on the basis of so abstract an idea; the essential thing is to proceed as quickly as possible towards the main objective. French opinion regards the plan put forward at Paris by M. Laval and Sir Samuel Hoare as consistent with this policy. In French eyes, we had there the basis of an all-round settlement capable of fulfilling the three conditions mentioned above. For the rest, and in spite of what has happened since, the French people as a whole remain convinced that the final settlement that will be arranged sooner or later will not be very different from the principles that inspired the Paris plan.

II. Great Britain and Article 16

HOWEVER, the Frenchman-in-the-street realises that he is reproached, particularly in England, on some such lines as these: "My dear sir, after posing for years as the champion of collective security through the League of Nations, aren't you going to be more resolute in defence of your principles? Are you going to endorse a settlement of the Italo-Abyssinian conflict that puts a premium on violence? Have you then two policies, one for your German adversary, the other for the rest of the world? How would you have us conduct a collective policy, if at the very moment when it has to be applied you defend it with so little conviction, and if you

ive weight to arguments that smack more of the old pre-ar diplomacy than of the new moral code, which ought, ; *you yourselves admit, to rule the world? Don't you e that you are aiming a fatal blow at the very policy with* hich European *security is* bound up, and that in con-quence you are cutting down the branch on which you urselves are sitting?"

The French are aware of these arguments. Nor do they derestimate their weight. Moreover, they fully agree t on no account must the collective system or the igue of Nations be sacrificed to the Abyssinian affair, l it is for that very reason that they profoundly roved M. Laval's action in maintaining at Geneva the litional policy of France, and in adopting economic ctions against Italy. The French are even conscious having done more, perhaps, than other countries in ; respect. For it must not be forgotten that the south France is next-door neighbour to Italy and that in this a there are many and intimate economic exchanges ween the two countries. For this reason a whole tion of French trade has been paralysed by the closing the frontier, and hundreds of millions of francs have n lost by producers and merchants who certainly have markets to spare. Whole regions are facing ruin at this ment for the principles of the League of Nations. let no one criticise France for having adopted a platonic tude. When this affair is over we shall make up our ounts, and we shall see which sanctionist country has ered most from the application of Article 16.

lut the Frenchman may be excused a certain cynicism en he is reproached by the latter-day enthusiasts for League of Nations and Article 16; for he recalls that fifteen years he himself has suffered a certain disillusion-it precisely on this point. For example, the famous ieva Protocol of 1924, which was designed to ensure ual assistance of an obligatory kind under Article 16, soon given decent burial—by Great Britain. He

remembers, too, that in the Manchuria conflict, of all the great Powers represented at Geneva, Great Britain was certainly the one that showed itself least resolved to pursue an active policy in defence of the Covenant—or, if you will, the most firmly resolved to do nothing about it.

Without going so far back, is it conceivable that only six months ago France would have negotiated the Franco-Soviet Pact if Great Britain had then taken up in regard to Article 16 as clear a position as she has adopted since? Certainly not. France had at heart no desire to bind herself by a special agreement with Russia. But she was uneasy about European events. Germany, she felt, must be made to realise that the continental balance must be respected and that no adventures, under whatever disguise, could be tolerated in the east of Europe. The Franco-Soviet Pact was nothing more than the translation of Article 16 from the abstract into the concrete—in other words, an attempt to take that article seriously.

It is impossible not to draw the conclusion that British policy has followed a zigzag line, which perhaps justifies French policy in maintaining its *sangfroid*. For that matter, was not the ideal of a collective policy somewhat upset last June, when France woke up one day to find that Great Britain had concluded a separate naval pact with Germany? That action did nothing to reinforce collective policy, nor even the collective undertakings that had only just been solemnly signed at Stresa.

III. The Future of the League

THE Frenchman-in-the-street is well aware of the dangers inherent in the international situation. He ardently desires a definite peaceful settlement of Franco-German relations; for, when all is said and done, the idea of a conflict with his eastern neighbour is entirely hateful to him. Unfortunately he is bound to take notice of suspicious and disquieting things that are going on in

Germany. Why this feverish rearmament, which is transforming the country into a sort of enormous armed camp, when not a single Power is threatening Germany? Why this intense nationalist spirit instilled into the German youth? Why this insatiable and heady policy, which, while constantly reaffirming Germany's desire for understanding and peace, always retreats as soon as an appeal is made for her international co-operation? Without exaggerating the immediate danger the French feel that they have always to face a serious—perhaps before long a fearful—German problem. France knows that for her the League of Nations represents a guarantee of peace. She knows that it is upon the basis of the League that she can remain in perfect harmony with Great Britain, which she regards as the only true guarantee of European security.

Nevertheless, one thing strikes the Frenchman when he goes on to consider developments since the war. It is that, while on a number of occasions the League of Nations has rendered remarkable service to peace, so long as it was a question of solving European problems—Upper Silesia, Corfu, Greco-Bulgarian incidents, Hungarian-Jugoslav incidents, Danzig, Memel, the Saar, not to mention others—each time, on the contrary, that similar complications have arisen outside Europe the League of Nations has found itself impotent in trying to solve them, and that impotence has been most injurious to the League itself. This has held true in South America, in Manchuria, in Abyssinia. Do not these facts represent more than a coincidence? Ought we not to conclude that the League of Nations should be primarily an organisation among Europeans and that it is foolish to seek to impose it upon the whole world? On the morrow of the war, it seemed right to pour all the nations into the same stew without bothering about how well they were cooked. Abyssinia herself may be taken as an example; for clearly she has not yet reached a high enough stage of evolution to hold a normal place in the League. Equally clearly, all kinds

of errors have been committed from time to time at Geneva. Nothing could be more natural. No good thing is forged save under the hammer of *trial* and *error.* But we *must* not remain the slaves of our previous mistakes.

In 1930 M. Briand, who may have had many faults but who will doubtless be recognised in due time as perhaps the most constructive figure of our age, suggested indeed that under the ægis of the League of Nations there should be set up a " European Commission ", which would have served to strengthen the bonds of the League among the continental States. Doubtless this proposal was premature; for it was greeted in every quarter with objections and refusals. Nevertheless, we shall have to come back to that more modest but at the same time more sensible conception of security and peace. The Frenchman believes that what matters above all is to afford Europe more cohesion, more solidarity. The Stresa policy well served that ideal. France therefore ardently hopes that the Italo-Abyssinian conflict will not develop in such a way as to compromise the Stresa policy irretrievably for the future of Europe. Even higher than the Stresa policy, however, Frenchmen value firm Anglo-French co-operation. They know, indeed, that that is the primary condition both of the Stresa policy and of all European policy—in a word, of peace itself.

IV. Ships, Aeroplanes, and Men

LET us therefore turn once more to the problem in hand with the idea of dispelling, if possible, the misunderstandings to which it has given rise. Apart from the general outlook on the Italo-Abyssinian conflict, a special Anglo-French misunderstanding has momentarily arisen. Why? Let us face the subject frankly. In the speeches of British statesmen in the House of Commons on December 19, one idea constantly reappeared. Sir Samuel Hoare, Sir Austen Chamberlain and Mr. Baldwin alike laid

emphasis on the fact that Great Britain had been alone in taking military precautions. Here is the British argument. "The Royal Navy has been concentrated in the Mediterranean; reinforcements have been sent to Egypt, to Malta and to Aden. Yet no other country has moved a ship, an aeroplane or a man. (Cheers from the Government benches.) There must be more than general professions of faith in the League of Nations—not because we, the British Empire, are afraid of an Italian attack, but because, without such active co-operation, collective security is impossible, and the League of Nations will dissolve. (Fresh Government cheers.)"

In that argument lies the heart of the present Franco-British misconception. With the best of good will there has been on both sides a misunderstanding, which must be cleared up at whatever cost. In the middle of September Great Britain sent certain ships into the Mediterranean, and she appears to reproach other countries—that is to say, France—for not having taken similar measures. "We at least have backed the policy of collective security at some cost and risk to ourselves." British opinion draws the conclusion that Great Britain has been the only Power to act correctly in defence of the Covenant, and that France, hypnotised by her recent friendship with Italy and in contradiction of her own principles and her own past history, is to blame for having adopted a negative attitude. But this way of looking at things does not conform with realities.

The presence of British naval forces could have been fully justified if—once Italy had committed her breach of the Covenant—it had been agreed at Geneva that Article 16 must be fully enforced and that sanctions of a military character were to be applied against the aggressor. But in the middle of September the breach of the Covenant had not yet taken place. It was still possible to hope that Rome would agree to negotiate on the basis of the proposals of the Committee of Five. All the Italian experts who were

*at Geneva, not to mention others, favoured such a settlement of the conflict. It is known, moreover, that at the Fascist Grand Council in March the Duce alone ex-*pressed himself in favour of military intervention in Abyssinia. Thus right up to the last moment it was possible to hope that Mussolini would fall in with the advice of all his colleagues, of all his technical experts, of all his friends. In any case, so long as no act of war had been committed, no breach of the Covenant could be regarded as having taken place, nor in consequence could any military measures be taken. That is the first fact.

The second fact is this. After the outbreak, it was decided with one accord that military sanctions should not be applied against Italy, and that only financial and commercial sanctions, such as must automatically follow an act of aggression, would be put into force. Not even to-day does the British Government envisage the application of military sanctions. Then why should the members of the League of Nations have sent " ships, aeroplanes, and men " into the Mediterranean area ? Either " ships, aeroplanes, and men " were to be sent into the Mediterranean in order to oppose the Abyssinian expedition by force, in the name of the Covenant; and in that case such a demonstration—for which there would certainly have been a legitimate excuse—ought to have been carried out collectively as the outcome of a decision taken jointly at Geneva. Or, as the only alternative, pressure was to be brought on Italy by the financial and commercial means indicated in the Covenant, but without using military measures; and in that case there was no reason for mobilising " ships, aeroplanes, and men ".

Yet, in the middle of September, Great Britain, on her own responsibility, sent the Home Fleet into the Mediterranean. She had, indeed, a perfectly legitimate reason—legitimate not only from her individual point of view, but from the collective point of view also, since any threat of war against a State member should be opposed by all the

States bound by the Covenant. The Government at Rome, not content with attacking Abyssinia, beyond all question threatened Great Britain. From the end of August onwards, vast camps, intended to house whole divisions of troops, were surreptitiously prepared in Libya, on the borders of Egypt. An anti-British agitation, which has gone on increasing ever since, started at the same time within Egypt itself. On September 10, the first detachments of three Italian divisions disembarked in Tripoli en route for these camps. It was at the moment when the vessels transporting these troops left Italy for ports in Tripoli and Cyrenaica that the Home Fleet received the order to move. By that time the Italian threat against Egypt was plain, and it was natural that Great Britain should take elementary precautions against it. No other country would have acted differently. But the Government in London ought to have told the world honestly what it was doing.

The League of Nations and international opinion ought to have been warned. The suspicious developments in Libya ought to have been denounced, and they ought simultaneously to have been brought within the scope of collective security; for Italy's unprovoked preparations jeopardised the security of Egypt, and Great Britain guarantees the military protection of that country. No one knew what was going on. Learning all of a sudden that the Home Fleet was passing through Gibraltar, the average Frenchman simply interpreted this sensational fact as a sort of veto placed by Great Britain upon Italian ambitions in Abyssinia, which seemed to him a threatening gesture, selfish, excessive, disproportionate. If he had been wise to the fact that the Italian Government, by presenting a threat not only to Abyssinia, but also to Egypt, that is to say, to Great Britain, was courting the risk of a general war, he would surely have judged Mussolini's action very differently. But the Frenchman knew nothing of this—and how should he have known, when Great Britain herself, instead of explaining what was happening,

went on denying that she had any sort of personal grievance against Italy, and reiterated that the only conflict at issue was that between Italy and Abyssinia? It is precisely because Great Britain's uneasiness and her precautions were *well founded, and were moreover founded on the collective system (since any threat to a State member must be regarded by the others as a threat to themselves), that* Great Britain should have explained to the League of Nations, when she moved her "ships, her aeroplanes and her men", why she was moving them, and should have demanded the taking of similar measures collectively.

The moral of this affair is that collective action is very difficult to apply, and all the more difficult in that it is still only in the experimental stage. This experience proves that such a policy must be based on complete candour and precision. Indeed are not those the cardinal virtues of all foreign policy?

V. Conclusion

THAT, as we see it, is the position of the mass of French opinion about the Italo-Abyssinian conflict and its repercussions. The reader may rejoin: "But when we read the French press and the speeches of your politicians in the Chamber of Deputies, we get the impression that you have blinked the difficulties of the problem and that French opinion is extremely divided." Pay no attention to the hot air of Paris. It is all on the surface, and is bound up with questions of personalities and cliques, or with complicated issues of internal policy, rather than with considerations of foreign policy pure and simple. Make sure of one thing: it matters little in the end whether M. Laval or somebody else presides at the Quai d'Orsay—call him X or Z, take him from the ranks of the Left or of the Right. They will all pursue the same policy. Men and parties are as nothing in face of what has been for centuries, and will remain for centuries to come, the conservative instinct of a great nation.

THE END OF THE WASHINGTON TREATIES

I. After the London Conference

WHEN Japan withdrew from the London Naval Conference in January she did no less than was expected, yet her act took many by surprise. Every instructed observer knew that her sense of prestige was deeply involved in the demand for parity in naval strength with Great Britain and the United States, and that it would be difficult, if not impossible, for her negotiators to return to Tokyo with that demand unsatisfied. None the less, there seemed to be a possibility that, when confronted with the responsibility of bringing the Conference to nought and when faced with the ensuing risks of a thus emphasised isolation, the Japanese Government would find a way to circumvent a crisis. And during the days that immediately preceded the final decision to withdraw, it was clear that Tokyo was perplexed, not to say torn in two, in a struggle between the navy's short-sighted insistence upon its right to be treated as an equal by the British and American Admiralties and the wiser prudence of certain statesmen who knew that in the *status quo*, even of the Washington and London naval treaties, Japan clearly enjoyed something more valuable than mere parity, and that it was folly to increase Anglo-American suspicions by insisting on the "common upper limit". But the navy had their way, and revealed Japan once more still in the grip of "the iron infantility of the military mind".

The treaties of 1922 and 1930 gave Japan complete security in her own waters; indeed, when read in the light of the naval obligations of the British Empire and America,

they gave her so much more than security that it is hardly an exaggeration to say that from Hong Kong to the Arctic Ocean she has enjoyed a free hand for fourteen years. As long as these treaties remained valid, the Japanese Admiralty, striking a balance between the meagre disadvantages of an inferior ratio in naval tonnage and the preponderating advantage of freedom from overseas menace, conferred by the Anglo-American pledge not to fortify any naval base within striking distance of Japan, *could guarantee Japan herself from invasion and offer the Japanese army an undisputed field of operations in north-east Asia.* If Japan had left the parity question alone, she might possibly have gained a valuable advantage in an agreement of a qualitative kind—limiting the size, and therefore the range and armament, of ships—which would still further have strengthened her position in the western Pacific behind the non-fortification clauses of the treaties. Moreover, along this line of diplomacy she had some hope of separating the two English-speaking peoples, and thus of allaying one of her alleged fears, whereas her recent tactics have brought them nearer together than they have been for some years past. Thus Japan has clarified the problem of the Far East by an undisguised revelation of the aims of her naval and military staffs, and has given the English-speaking peoples on both sides of the Atlantic a powerful reason for reviewing the situation thus created.

There is cause for apprehension on all sides. In the long run Japan courts the greater risk, for her present line of action, in London, in Nanking, and on the Manchurian frontier, alienates all and conciliates none. Her military rulers of to-day seem bent on putting to the test the whole destiny of expansion foretold for her in the notorious, though almost certainly spurious, Tanaka Memorial, and the ease with which the recent steps of her progress in north-east Asia have been won seems to encourage in them the belief that she can proceed to the limit of her dreams without encountering resistance or inviting disaster. No

doubt, in the way the world's scene is set to-day, her star is in the ascendant and the immediate risk she runs is small, but the setting of the world's scene will change, and some of the now quiescent actors, as they move to take a more active part in the future in the Far East, will not forget the provocation that Japan now offers them with impunity. It may be said, and with truth, that the Japanese are only following the example of other imperial nations in their former campaigns of expansion. It may also be said that they merely seek to create an economic *bloc*, controlled by their own power, in a world where economic nationalism denies them free access to other markets and other sources of supply. But the first of these pleas is but a plea in extenuation; and the second is founded on the delusion that the Manchukuo–Japan *bloc*, even with half of China added to it, can serve the ultimate needs of Japanese productive industry at home.

Thus for those Japanese who can see beyond the easy conquests of the moment there is reason for growing disquiet; and it must surely be the aim of the civil leaders of the country (even in this moment of their impotence) to do what they can to restrain their headstrong military masters, so that, when the civil power is restored to real authority once more, the situation of Japan shall not be as desperate as it threatens some day to become. One gallant veteran among these civil leaders, Mr. Korekiyo Takahashi, has done his best to warn his country of the financial risks involved in a policy that diverts nearly 50 per cent. of the total national expenditure to the cost of Japanese armaments and entails a heavy increase to the national debt for the fifth year in succession. But his is but one voice—no doubt cogent in its plea—crying in a wilderness, and all other voices are silenced by press control and by the simple expedient of a premature dissolution of the Diet.

In present circumstances, however, the Japanese people will not be influenced by any foreign comment, even if

they were allowed to hear it. Their own experience alone will have such influence; and the reason for growing apprehension in other countries is to be found in the doubt whether experience will show Japan the inexorable limits of her present policy before it is too late. Not long ago one of the highest officers of the Japanese Government, *when asked why Japan should take the risk of incurring (in different measure perhaps) the displeasure and eventual hostility of her three great Pacific neighbours, Russia, the United States and Great Britain, merely shrugged his shoulders and replied, "Here we stand, and can do no other".* This fatalism seems to paralyse the mind and to immobilise the forces of civilian and reasonable opinion, while it displays itself in military circles as a sense of divine destiny. It is high time to ask whither that destiny may lead Japan and what problems it holds in store for the other Powers.

II. Japan and the World Power System

THERE was a time when the politics of the Far East were governed by the principle of the balance of power, and less than a generation ago the Chinese question was considered only as a minor aspect of the armed equilibrium in Europe. When Lord Salisbury, thirty-eight years ago, took the lease of Wei Hai Wei, all he saw was a momentary picture of the European diplomatic problem thrown on a Chinese screen. And while one of the British motives of the subsequent Anglo-Japanese alliance was to take out a new insurance policy for the British Empire in the East, another and perhaps more important motive was to localise in the Far East the then threatening conflict between Russia and Japan in Korea and Manchuria, and thus to prevent a Russo-Japanese war from breaking the peace of Europe. Hence the alliance served a valuable twofold purpose; and in the Great War it was a strong buttress to the Allied cause. Let us note, also, that it

performed a unique service to Japan in the critical period of her rise to power. And if the factors in world politics had remained the same after the war as they were before, there would have been strong reasons for renewing the alliance in 1922. As long as the balance of power oscillated upon a fulcrum in Europe, with none but European weights in the scale, it was both possible and wise for the British Empire (being both a European and an extra-European Power) to serve the whole interest of the Commonwealth of British nations by bringing the Japanese weight to its own side of the scale.

But, in the thirty-four years that have since elapsed, and particularly in the past seventeen, the historic equilibrium has changed, not only by a redistribution of the factors formerly composing it, but also by the appearance of a new factor—namely, the United States of America. The pre-war balance was essentially European; the post-war balance is world-wide, and is still, moreover, confusedly in the making. Finally, a new type of international relation was introduced by the Covenant of the League, which was conceived, ideally, as superseding the balance of power by the doctrine of collective security.

Now, the first attempt to treat the problems of the post-war period in the Far East was made under the influence of this collective principle. The Four-Power, Nine-Power and naval limitation treaties were the foundation of a system designed to equip the Pacific Powers with instruments of reform and pacification and to operate as the predestined substitute for the "politics of power". It is true that, both in 1922 and in the earlier discussions of the scope of the new consortium, Japan had tried to persuade her co-signatories to recognise her "special interests" in continental Asia, and may thus be said to have warned them that she could only accept collective responsibility with reservations. But, both at the time of the Washington Conference and for at least six years thereafter, Japan acted in a manner that indicated, not only that she was

prepared to honour her signature, but also that she interpreted the functions of the Washington treaties in much the same light as did Mr. Stimson when he declared that they were integral parts of one coherent whole. It will be remembered that, as American Secretary of State, Mr. Stimson said that America had consented to relinquish "her commanding lead in battleship construction" only because she believed that the Four-Power and Nine-Power treaties offered a satisfactory alternative to the appeal to force in the politics of the western Pacific Ocean. Thus it may be said that the English-speaking Powers believed they were paving the way for the inauguration of peaceful collective responsibility by limiting their sea power, whereas the new controllers of Japanese policy to-day retort that, when Great Britain and America undertook to refrain from fortifying their naval stations in the Far East, they were merely demonstrating the fact that to them the Far East was not a major sphere of interest in which they could be expected to pursue an active policy, either with or against Japan.

The net result of the whole proceeding is that the naval limitation treaty no longer operates west of San Francisco, that the Nine-Power treaty has failed of its true object in assisting China, and that the Four-Power treaty is still intact, mainly because Japan does not choose to challenge it. Whether the time will ever come when she will challenge it seems to depend on three things: first, upon the course of action that America decides to take during the next ten years in the Philippines, which will enjoy "independence" in 1945; second, upon the extent to which Japan succeeds, or fails, to satisfy her real needs in north-east Asia; and third, upon whether in the course of her continental policy in the latter region she comes into conflict with Russia. The key here is in the second element, with which the third is closely linked, and the first is more closely related with them both than the Congress that enacted the Philippine Act of Independence

seemed to realise. And all of them will ultimately raise questions for the British Empire which its members will do well to face now.

We shall here assume that of the three objects of her present policy Japan will attain two, and fail in the third. These objects are dynastic, strategic, and economic. The word dynastic is here used to describe the endeavour to restore the Kingly Way of Government in Asia, by driving out republicanism, democracy and communism, not only from Japan but also from every region in eastern continental Asia that she can control or influence. This motive, growing powerful with the renaissance of Old Japan under the leadership of the army, has put Kang Te upon the throne of his forefathers in Manchuria and will carry *Kodo* (the monarchical principle) further yet. It may be said to have won no little success already. The strategic motive also is well on the way to satisfaction; but if the military party push their present advantage to the point where Russia must retaliate, in order to protect her Siberian interests, Japan may run into serious danger. But assuming she does not, the third object remains in her economic needs.

And here it is reasonably plain that the hope of self-sufficiency within the Japan–Manchukuo–China *bloc* cannot be realised. In a word, Japan cannot complete her destiny in "East Asia", but must turn elsewhere: and both her temper and the character of her policy when she does so turn will depend on the nature of the opportunities then open to her. If the military party is still in control at that moment in the future, and if, meanwhile, America should interpret the independence of the Philippines as her own evacuation of the Far East, the policy that won Manchukuo will be repeated and the Philippine Islands will be swept into the orbit of Japan. If, on the other hand, the moment when Japan realises the economic inadequacy of her present continental policy happens to coincide with the adoption by other Powers of a more liberal economic policy, there might be some hope of a

decline of militarism and a return to more sober courses in Japan itself. Thus the opportunities that may be open to Japan in the next few years are, or may be, of very different kinds, but the factors that will prove decisive in the making of these opportunities are at present uncertain. It may be that, owing to American policy in the Philippine Islands, providence is preparing another easy conquest for the Japanese, which will feed the appetite for expansion, and justify aggression by success. In either case the defence of the existing interests of the British Commonwealth is deeply involved; in the first, by a challenge that might provoke an appeal to arms, in the second by the plain necessity for a policy, not so much political as economic, of world-wide imperial scope, and not merely confined to, or emanating mainly from, the United Kingdom.

Both eventualities require consideration now. Let us take the more forbidding first. It would seem that war is fatally inherent in the policy and in the mood of Japan to-day. Men trained to war, and to war alone, are now at the helm, and for years past they have taught their people to believe that their destiny depends on the possession of power. In the last resort, therefore, the British Empire, as one of Japan's neighbours in the Far East, and throughout the Pacific Ocean, must reckon with the possibility that, finally, it may be involved in war in self-defence. There is, as we shall point out later in this argument, an alternative to this conflict; and, in reckoning all the factors in the problem as a whole, it seems likely that other Powers may be involved before the British Empire. Nevertheless, it is idle to ignore the fact that the threat of an eventual war does exist. At the present moment, and as long as Japan continues to pursue her continental course, the danger is one that concerns Russia more actively than either America or the British Commonwealth. Therefore, in the shorter view, Australia and New Zealand are justified in believing that Japan's present commitments in Manchuria and Mongolia give them relief

from the risk of Japanese expansion, southward by sea, which might sever their communications with Europe and the home country and leave them at the mercy of Japan.

But the situation will change when Japan discovers that her economic expectations from her Manchurian-Mongolian policy cannot be realised; for then, whatever she may believe to be necessary for the strategic defence of her expanded frontiers facing the Soviet Union, she will be driven to divert her programme of territorial and economic expansion towards other goals, which will bring her across the path, first, of the United States (given one condition), and then of the British Empire. There is already in Japan an active propaganda, largely of naval inspiration, which points in this direction, and there is a growing belief that Philippine "independence" means that America intends to retire to her own eastern half of the Pacific Ocean. Frankly, this seems to us unlikely. America has for over a century taken a more active interest in the Far East than in any other part of the world except her own continent, and the truth about her present Asiatic policy is that it is full of contradictions, which will not be resolved for some ten years to come. In the last resort it is improbable that America will stand calmly aside and leave Japan free to make the western Pacific into her own *mare nostrum*, which for all other Powers would mean a *mare clausum*. But there is so much that is unpredictable in the American attitude that any realistic estimate of the future must include the possibility that America may not impose her veto on a Japanese advance from Formosa to Manila.

III. The Problem for the Empire

FOR the British Empire, then, there are three possible situations to meet: first, a struggle between Russia and Japan in the north, which would relieve the threatened pressure on the oceanic interests of the overseas Empire and America; second, Japanese expansion towards Hong Kong, Manila and Singapore that encounters American

resistance; third, the same expansion *not* encountering an American veto, which would bring Japan upon the exposed flank of British imperial communications from the Indian Ocean to the South Seas.

The first of these—assuming a Japanese victory, which is not by any means certain—would postpone Japanese expansion southwards for a considerable time, and might engage Japan so deeply in continental commitments in north-east Asia that she would be unable to pay much attention to anything else. What the consequences of a Russian victory would be for India we do not for the moment propose to enquire, but the consequences in the Far East would probably bring the whole Far Eastern question into closer connection with Europe than has been the case for many years.

The second eventuality would almost certainly find the British Empire supporting America in the determination to resist imperialist aggression outside the Asiatic mainland. If that be a true diagnosis, it is desirable that the English-speaking Powers should forestall the threatened conflict by showing Japan that, in the last resort and undeterred by differences of interest in other fields, they will be found standing together, and by showing her also that this co-operation is not designed to encircle her with iron bands to stifle her life, but solely as an insurance against an intolerable inroad on their vital interests. There is here a genuine basis of Anglo-American co-operation which does not exist in any other region; but since it does exist here, it is much to be hoped that the British and American Governments will take the occasion of the Naval Conference to proclaim their resolve to stand upon it.

The third situation is the most critical of all, and although it is not immediate it cannot be regarded as so improbable as to be ignored in a review of the Far Eastern and Pacific Ocean policy of the British Commonwealth. Nakedly stated, it presents the British nations with the possibility of a threat to the communications between them, if not to

their very existence as partners in a common peaceful enterprise of economic growth and political development. Doubtless it would affect them unequally; and if it be admitted that the immediate threat must be felt first by the United Kingdom, Australia and New Zealand, with India, Burma and Malaya in danger, in the final resort every corner of the Empire must be involved.

It is believed in some influential quarters in Japan that the Empire cannot parry such a blow, nor strike back. This appears to us to be a dangerous delusion, fostered by the circumstances of the moment, in which Great Britain is mainly preoccupied with the European problems at her door, and by the reluctance of the British taxpayer to shoulder great financial burdens for the sake of imperial defence. The Admiralty is thus put into the position of saying that it cannot guarantee adequate power in three places at once: in the North Atlantic, in the Mediterranean and at Singapore. But we can hardly doubt that, by a combination of shrewd diplomacy and expenditure on naval armament, the British Empire (if summoned thereto by a real threat to its security) would and could make the required effort. We think it necessary to put the issue thus, not because we look upon it with equanimity or with anything but profound regret, but because foreign critics (especially among Japanese naval propagandists) are prone to repeat the crucial error of their German prototypes before the war and to assume that the British nations have become effete and are losing both the will and the power to survive. In a real and honourable sense the people of Great Britain and their partners in the Dominions are pacifists to-day, but we see no reason to suppose that they care so little for the new Commonwealth system they have created as to refuse the effort necessary for its maintenance.

Cold realism so far compels us to face these formidable prospects in terms of an eventual appeal to force. But in so presenting the case THE ROUND TABLE is not prophesying inevitable war. Rather is it attempting to foresee the

ultimate fate of war, if certain conditions obtain in the future, and if, meanwhile, policy, of which war is but one expression, fails to deal with the developing situation and thus to forestall by adequate measures the resort to force. One of these measures is certainly the readiness for self-defence, within both the League-wide and the British collective systems. But a policy that rests solely on the determination to meet force with force is quite inadequate. Without exaggerating the importance of the economic factor in the Japanese problem, we are convinced that it plays a part in Japanese policy to-day that requires us to shape our policy to meet it. We have already attempted to show that Japanese continental expansion derives its real power from the generating station of two motives, the dynastic and the strategic, and that its economic aims can never be fully won. And if we acknowledge, as we probably must, that no bargain of the market place can possibly induce Japan to desist from her strategic–dynastic purpose in the north-east, we are probably justified in believing that, if and when she turns southward, the economic motive will be her chief excuse for aggression. We need pay little heed to the plea that Japan needs new homes overseas for her surplus people, because every serious student, both Japanese and foreign, knows that emigration on a large scale is not the solvent of her troubles. But when we review her position in its whole economic aspect we can see, and willingly, that there is truth in the well-known Japanese slogan, "Relief from pressure at home by expansion abroad."

Is it too much to say that in our hands, in the hands of the British Commonwealth and the United States, lies the future meaning of that word "expansion"? And if it is in our power to influence the Japanese interpretation of their own slogan, are we not bound to act on that assumption and thereby to insure both the Western Powers and Japan herself against the alternative of conflict? In our possession of many sources of vital supply, in our control

of many important markets, both in the tropics and in the temperate zone, in our command of capital for investment, we hold a controlling influence over the whole situation in its economic aspects. Japan already knows the effect upon herself of tariffs, quotas and other restrictions upon trade. Merely to relieve her of that pressure, however, without genuine and compensatory advantages to the English-speaking Powers, and through them to many others, would be a short-sighted and pusillanimous policy. For the moment, no doubt, we may welcome the recent Canadian agreement with Japan, just as the Indian reciprocity agreement was a welcome temporary alleviation of tension; but it will be the part of wisdom for the British Commonwealth as a whole to evolve a policy that shall be neither a United Kingdom, nor a Canadian, nor an Australian, nor a crown colony policy, considered piecemeal, but a complete programme designed to serve both economic and political ends. We, as a Commonwealth, have much to offer to Japan; and we must surely be prepared to offer it, provided she will accept our conditions.

In what has been said above it is reasonably clear what our conditions are. In the political field, they ought to include a re-statement in moderate form of Japanese claims in eastern Asia, which shall recognise the not-immoderate rights of the Western Powers and pay respect to the spirit of Japan's own pledges towards China. In the economic field, they are comprised in the compendious phrase "equality of opportunity", which is perhaps the better way of expressing the former principle of the Open Door. And, following these, there must be an arms agreement, which is useless without a prior political understanding. In our view, none of these can be interpreted as a hampering restriction of Japanese rights. Nor do they imply any attempt to dictate Japanese policy. An agreement based upon them could in no way impair the preponderating advantages given to Japan in the Far East, while the resultant clearing of the stormy sky would be a boon to all.

EGYPT: THE BACKGROUND OF NEGOTIATION

I. The Declaration of 1922

On February 28, 1922, the British protectorate over Egypt was terminated by a declaration that Egypt was an independent sovereign State. The British Government qualified its declaration by "absolutely reserving" to itself, pending conclusion of agreements with the Egyptian Government, the following matters:

(*a*) The security of the communications of the British Empire in Egypt,
(*b*) The defence of Egypt against all foreign aggression or interference, direct or indirect;
(*c*) The protection of foreign interests in Egypt and the protection of minorities;
(*d*) The Sudan

Until a treaty could be concluded between the two Governments, the *status quo* in all these matters was to remain intact.

The 1922 declaration was little relished by anyone in Egypt. The majority of British officials and foreign residents regarded it as a premature abandonment of the task undertaken by Great Britain in 1882. Egyptian politicians declared that the British protectorate over their country had been made permanent. It was freely prophesied that the declaration would prove to be only a phase and would speedily be followed either by reversion to stricter British control or else by the grant of more effective independence than seemed possible under the 1922 instrument. These expectations have not been realised. The 1922 declaration has continued during fourteen years to

be the basis of British policy in Egypt. The history of Egyptian politics since 1922 is largely the story of attempts to reconcile sovereign independence with the formidable and elastic reservations attached to the 1922 grant.

One of the first needs of an independent Egypt was a constitution, and a commission of thirty members, a not very representative body, set to work to draft a charter. It leaked out that the constitution was to describe the Egyptian sovereign as "King of Egypt and the Sudan," which would have been tantamount to denouncing the Anglo-Egyptian condominium in the Sudan. As that country's affairs had been definitely excluded in the 1922 declaration of Egypt's independence, the British Government informed the Prime Minister, Mohamed Tewfik Nessim Pasha, that the intended reference to King Fuad's sovereignty over the Sudan could not be accepted. Nessim Pasha resigned; and under his successor, Yehia Pasha Ibrahim, the challenging reference was dropped from the constitution, which was promulgated on April 19, 1923. It proved to be almost a slavish copy of the Belgian constitution, with little regard to the history, customs, laws, organisation and needs of the Egyptian people. The Senate was to be constituted, as to two-fifths of its members, by royal nomination. Three-fifths were to be elected, election being in three stages, each elected senator representing a constituency of 180,000 inhabitants. The Chamber of Deputies was to be elected by a two-stage system, groups of 30 voters choosing an elector-delegate; and the country would be divided into constituencies with 60,000 inhabitants in each. On the basis of the latest census at that time, there would be 118 senators and 214 deputies.

While foreign observers considered the constitution dangerously advanced for a country in Egypt's stage of political evolution, the Egyptian nationalists expressed an opposite view. Saad Zaghloul Pasha returned late in 1923 from exile at Gibraltar to resume the presidency of

the Wafd,* which at that time included almost all politically active elements in the country; one of his first declarations was a hearty condemnation of the 1923 constitution, which, he affirmed, prevented expression of the people's will and made modification of its own provisions almost impossible. Zaghloul Pasha's criticisms of the constitution and the electoral law—which he considered archaic—were tempered somewhat by the fact that the first elections for the Egyptian Parliament, concluded in January 1924, gave his party, the Wafd, 190 seats out of 214. Yehia Pasha Ibrahim's Government resigned, and Zaghloul Pasha accepted King Fuad's invitation to form a Ministry.

The first Egyptian Parliament assembled on March 15, 1924. Almost immediately relations between the British and Egyptian Governments began to be uneasy. Zaghloul Pasha never accepted the 1922 declaration as a definition of the Anglo-Egyptian position, and his Government made continual attempts to deal with domestic affairs in ways which, in the British Government's view, encroached on the subjects that the British Government had "absolutely reserved" to its own discretion. The British Government hoped that the treaty anticipated in the declaration might be concluded at an early date, and as Zaghloul Pasha was the only Egyptian politician with whom at that time negotiations could be contemplated, Lord Allenby's first reminders to Zaghloul Pasha of the British Government's position were framed in conciliatory terms. But occasions for the Residency in Cairo to recall to the Wafdist Government the facts of the situation became increasingly frequent and concerned matters of greater and greater importance. The Egyptian Government proposed to take various steps, such as striking out the annual subvention to the army of occupation in Egypt, and refusing to continue service of the Ottoman Loans secured upon the Egyptian tribute, which were palpably inconsistent with continuance of the *status quo* laid down in the 1922 declaration. In spite of

* "Wafd" is an Arabic word meaning delegation.

the increasing difficulty of maintaining friendly relations between the two governments, Zaghloul Pasha was pressed to go to England to negotiate a treaty and left Egypt in July 1924. Very brief discussions with Mr. Ramsay MacDonald showed that Zaghloul Pasha's idea of a treaty was simply that Great Britain should abandon all control, interest or influence in Egypt, without any concession by Egypt in return. Zaghloul Pasha returned to Egypt, and very soon afterwards the Sirdar (Commander-in-Chief) of the Egyptian Army and Governor-General of the Sudan, Major-General Sir Lee Stack, was murdered in Cairo. A British ultimatum was speedily followed by the resignation of Zaghloul Pasha, and Ahmed Ziwar Pasha formed a Government.

New elections were held, the Wafd secured a small majority, and Ziwar Pasha submitted his Government's resignation, which the King refused to accept, decreeing, instead, the dissolution of Parliament, on March 24, 1925. That year saw the emergence of a new feature in Egyptian politics. Hassan Nashaat Pasha, a young official in the palace, had become King Fuad's confidential adviser and had persuaded His Majesty to foster the creation of a palace party. Called the Ittihad (Unionists), this party first achieved effective existence when some of its members were included in Ziwar Pasha's Cabinet. In the summer of 1925, when Ziwar Pasha was absent on holiday in Europe, a quarrel occurred between the Ittihad Ministers and their Cabinet colleagues. Exploited by Nashaat Pasha, this dispute led to the resignation of the non-Ittihadist Ministers, with the result that the Cabinet became nothing but a group of palace servants. Without any popular support, this Ministry prepared a new electoral law, very reactionary in its provisions and considered by the country as violating the spirit of the constitution. At this stage Lord Lloyd arrived in Egypt, and after taking stock of the situation he advised King Fuad to find another post for Nashaat Pasha, who was sent as Minister to Madrid. The first experiment

in imposing palace rule on constitutional Egypt had ended.

Elections in May 1926 gave the Wafdists 150 seats out of 214. A Ministry was formed under Adly Yeghen Pasha, Zaghloul Pasha contenting himself with the Presidency of the Chamber of Deputies. In the following year, when Abdel Khalek Sarwat Pasha had succeeded Adly Yeghen Pasha, there occurred an acute political crisis over the Egyptian army. The Egyptian Government were proposing to increase the army's size and modernise its equipment, while simultaneously decreasing the powers of the British Inspector General. Lord Lloyd believed that it was intended to make the army an instrument of the Wafd's policy, possibly eventually to bring about a dynastic revolution. The dispute, like so many other Anglo-Egyptian differences since 1922, revolved round the question whether the army came under the reservations of the 1922 declaration. Lord Lloyd was emphatically of the opinion that it did: the Egyptian Cabinet was equally positive that it did not. After a long period of tension the matter was settled in accordance with Lord Lloyd's view.

In 1927 Zaghloul Pasha died and was succeeded as President of the Wafd by Mustapha Nahas Pasha. In the summer of 1927 Sarwat Pasha was in London and began negotiations with Sir Austen Chamberlain, which were continued in the winter of 1927–28 with Lord Lloyd in Cairo. In February 1928 a draft treaty was ready and Sarwat Pasha asked Nahas Pasha whether the proposals would have the support of the Wafd. Nahas Pasha refused any form of settlement conceding Great Britain the right to maintain a garrison in Egypt, so the treaty proposals were automatically killed. Sarwat Pasha resigned and Nahas Pasha succeeded him on March 15, 1928. In the following June King Fuad summarily dismissed Nahas Pasha from the Premiership. Mohamed Mahmoud Pasha took office, suspended the constitution and ruled practically as a dictator

until late in 1929. In that year he visited London, had conversations with the Secretary of State for Foreign Affairs, Mr. Arthur Henderson, and returned to Egypt with proposals for a treaty. The British Government had insisted that the proposals should be submitted to the Egyptian Parliament. When Mahmoud Pasha had taken office he had said that Egypt needed at least three years' rest from the political turmoil that seemed inseparable from parliamentary government under the 1923 constitution. Since barely half that time had expired, and he was far from confident of success in an appeal to the electorate, he resigned. An interim Government was formed under Adly Yeghen Pasha, elections were held, the Wafd secured a majority of 175 in the Chamber of Deputies, and Mustapha Nahas Pasha formed his second Ministry.

The declared policy of the new Government was to conclude a treaty with Great Britain and after that to reform the country's administration in accordance with Wafdist policy. This was and is to increase the power of the legislature at the expense of the royal prerogative and to imbue the civil service with Wafdist ideas. It would be an exaggeration to say that the Wafd have yet gone as far as the fascists in Italy or the nazis in Germany in believing that a civil servant cannot properly perform his duties unless he is an enthusiastic believer in the aims and policies of the dominant political party. But they have travelled far along that road, and whenever they have held office they have wasted no time in filling key positions in the administration with devoted followers. This process was being applied in 1930, when Nahas Pasha left Egypt at the head of a delegation to negotiate with the British Government.

II. The 1930 Treaty, and After

AFTER lengthy discussions with Mr. Henderson, a draft treaty was on the point of being signed when—for reasons never satisfactorily explained, and differently

understood in Egypt and in Great Britain—negotiations were suddenly broken off and the draft treaty shelved. As the present political movement in Egypt is based largely on a demand for immediate signature of the 1930 draft treaty, its principal provisions may be summarised. They were:

1. Termination of British military occupation of Egypt.
2. Egypt to join the League of Nations.
3. The Egyptian Government to assume entire responsibility for lives and property of foreigners in Egypt.
4. An alliance to be concluded between the two Governments.
5. Mutual assistance should either country be involved in war.
6. Differences regarding the execution of the treaty, which could not be settled by direct negotiation, to be dealt with in accordance with the Covenant of the League of Nations.
7. Great Britain to persuade Powers possessing capitulatory rights in Egypt to agree to the transference to the Mixed Tribunals of the jurisdiction of Consular Courts, and to the application of Egyptian law to foreigners.
8. British forces up to a total of 11,000 to be stationed in the neighbourhood of Ismailia on the Suez Canal. This clause to be reconsidered at the end of twenty years

Back in Egypt without a treaty, but, as Nahas Pasha claimed, "having gained the friendship of the British," the Wafdist Prime Minister set about achieving his party's aims in domestic politics, notably bringing the administration into what he considered a proper relation with the Wafd and its policy. This soon led to friction with the palace, and in June 1930 Nahas Pasha decided on a trial of strength. He demanded that King Fuad should approve a law providing for the trial of Ministers accused of acting unconstitutionally. When the King refused, Nahas Pasha resigned. There is good reason for thinking that Nahas Pasha believed that his resignation would not be accepted; he thought the tendering of it would be sufficient to secure acceptance of his demands. If this was so, he had a surprise. King Fuad accepted the resignation and invited Ismail Sidky Pasha to form a Government.

Sidky Pasha had long been known as one of Egypt's

ablest politicians and administrators, but his career had left doubts about his fundamental political beliefs. These doubts he quickly resolved. The 1923 constitution was abolished and in its place a constitution considerably increasing the royal prerogative was promulgated by decree. The indirect system of election to Parliament, embodied in the original electoral law but since abolished in favour of direct voting, was re-introduced, and a general election, boycotted by the Wafd, returned a Chamber of Deputies almost unanimous in support of the Government. Mahmoud Pasha had chastised the Wafd with whips; Sidky Pasha lashed them with scorpions. Until his health suddenly broke down, in January 1933, he held Egypt in a grip of iron. Whenever and wherever his opponents raised their heads he struck out mercilessly. But the failure of his health forced him to Europe. While he was away intrigue was busy. When he returned, there was nothing for him to do but resign. On September 21, 1933, he left office and was succeeded by his Minister of Foreign Affairs, Abdel Fattah Yehia Pasha.

This dilettante Prime Minister had never taken serious interest in politics. He readily surrendered control to a palace favourite who aspired to the succession vacant since Hassan Nashaat Pasha had been exiled to Madrid in 1925. Zaky el Ibrashi Pasha, administrator of King Fuad's private estates, had few qualifications for political leadership, but he had the King's confidence. For fourteen months he was the real ruler of Egypt, his wish being decisive in everything, down to minor administrative details. Inevitably, his eventual fate was the same as that of Nashaat Pasha. In April 1935, the High Commissioner, Sir Miles Lampson, advised King Fuad that it would be well if Ibrashi Pasha could be employed in another sphere. He was sent as Egyptian Minister to Brussels. Meanwhile, Abdel Fattah Yehia Pasha's Cabinet had resigned, in November 1934, and had been succeeded by a Ministry led by Mohamed Tewfik Nessim Pasha.

EGYPT: BACKGROUND OF NEGOTIATION

III. Reactions to the Abyssinia Crisis

NESSIM PASHA is one of the mystery men of Egyptian politics. He has been Prime Minister twice and Chief of the Royal Cabinet (that is to say, the King's political adviser), but nobody knows what are his political convictions, beyond the fact that he is a devout Moslem, an opponent of sudden or violent change of any sort, and a very loyal servant of his King. He disliked the 1923 constitution because he thought it too advanced; he disapproved the 1930 constitution because he considered its promulgation illegal, and he is believed to have hoped that he might introduce a constitution better fitted than either of its predecessors to his country's needs. If this was his aim, it was not realised. From the first day of his taking office he decided that he must work in harmony with the party commanding the support of the large majority of voters—the Wafd. The Wafd had long before decided that restoration of the 1923 constitution was to be their first aim They were prepared to give Nessim Pasha time to achieve this. For seven months the Prime Minister succeeded in maintaining friendly relations with the King, the Residency and the Wafd—no slight accomplishment.

Then, in July of last year, Egyptian opinion suddenly awoke to the possible consequences of the Italo-Ethiopian dispute. Egyptians appreciated the implications of Italian preparations long before public opinion in Great Britain became perturbed. Early in July, Egyptian newspapers were declaring: "Italy means to fight Great Britain for Mediterranean supremacy. Egypt will become a scene of hostilities. We can either try to stand aside from the conflict, and at its end make the best bargain possible with the victors, or we can declare our sympathies now, and, in return for giving every possible assistance to England, secure from her a promise that our independence shall be complete, as soon as the present crisis is past, instead of qualified by substantial reservations, as it has been since 1922."

There was never any suggestion that any Egyptian litical party should angle for Italian sympathy, in spite extensive Italian propaganda in Egypt. Egyptian inion is solidly against Italian expansionist aims, both cause of Moslem solidarity with the Arabs of Italy's rth African colonies and because practically every yptian is convinced that Italy aims at making Egypt an lian colony. Egyptian sympathies were wholly with eat Britain in her attitude towards the Italo-Ethiopian nflict. At the same time Egypt was determined to use t dispute and Great Britain's evident need of Egyptian operation in naval and military precautions to secure m the British Government recognition of Egypt's right complete independence. For years past the Wafd's ders have made no secret of their aims. "We are werless," they said, "to force Great Britain to accept r claims until some other more powerful factor than our tation brings influence to bear on the British Govern-nt. But once let Great Britain become involved in a ropean situation that will make security for British nmunications in Egypt a paramount consideration, and will use that situation to exact compliance with our nands."

The policy of the Wafd in the present crisis has been isistent with that conception. In the late summer and ly autumn, Nessim Pasha was being urged, not only the Wafd but by all sections of Egyptian political nion, to obtain from the British Government, in return the unstinted assistance Egypt was giving to British ensive measures, an assurance that when the crisis caused the Italo-Ethiopian conflict was ended Egyptian claims to l independence would be conceded. At that time (up the end of September) an assurance from the British vernment that at the earliest possible moment negotia-ns for an Anglo-Egyptian treaty would be begun might re satisfied Egyptian public opinion. But the only urances Nessim Pasha was able to obtain were regarded

as inadequate and evasive, and Egyptian aims soon changed to securing immediate acceptance of specific demands. Foremost among these was restoration of the 1923 constitution, which the Wafd determined to make a test of British intentions towards Egypt.

So when Sir Samuel Hoare, on November 9, stated the British Government's view that the 1923 constitution was not suited to Egypt's needs, Egyptian students—"the first-line soldiers of the Wafd," as Zaghloul Pasha once called them—began violent demonstrations, rapidly leading to sanguinary clashes with the police, which have continued off and on ever since. The Foreign Secretary's remarks were not intended, it subsequently appeared, as a veto by the British Government on restoration of the 1923 constitution, but it was precisely as a veto that they were understood by Egyptian opinion.

Since Sir Samuel Hoare's speech, Anglo-Egyptian relations have been marked by a series of efforts from the British side to convince Egyptian opinion that the British Government was ready to negotiate a settlement of the matters left reserved by the 1922 declaration. But the successive steps taken by the British Government in reaching its latest definition of its attitude have been preceded by rioting and violence, so that, in Egyptian eyes, the present position has been achieved by student lawlessness. The students have taken charge in Cairo in recent weeks. Egged on by Wafdist spokesmen in November to protest violently against Sir Samuel Hoare's speech, the students refused to stop rioting when the Wafd considered that violence had served its purpose. By then quite out of hand, the students turned on those who had incited them and forced Nahas Pasha, much against his will, to join a United Front with other parties in demanding from the British Government immediate signature of the 1930 draft treaty.

At the end of January King Fuad, who had been an inactive spectator of the turmoil of the preceding few months, took a hand in shaping the situation. He told

Nessim Pasha, on January 22, that the time had come for him to make way for a national Government, which could negotiate a treaty with Great Britain. Next day, King Fuad summoned the members of the United Front to Koubbeh Palace and with an eloquence which impressed his audience besought them to form a coalition Administration. Nahas Pasha declined the invitation. Claiming to be leader of the large majority of the electorate, he insisted that he should be invited to form what kind of Ministry he thought best. The Wafd had had bitter experience of a coalition in 1928 and would not risk a second experience of the same kind.

After an anxious interlude, a compromise was arranged. On January 30 a neutral "business" Cabinet was formed under the Prime Ministership of Ali Pasha Maher, the Chief of the Royal Cabinet, who also became Minister for the Interior and for Foreign Affairs. Part of the compromise was that the delegation to negotiate a new treaty with the British Government would be headed by Nahas Pasha and consist of six Wafd members and five representatives of the non-Wafdist parties.* There is to be a general election by May 2, and meanwhile a political truce has been sworn. By the time THE ROUND TABLE appears, the negotiations with Sir Miles Lampson, the High Commissioner in Egypt, will probably already have begun. The British Government has insisted on a satisfactory settlement of the reserved points as a preliminary to the discussion of the terms of a treaty. The Wafd, on the other hand, demand the immediate signature of the 1930 draft. There is always the danger that the students, masters of the internal situation, will force the Wafd to add new and impossible demands to their programme. And the Wafd believe that Great Britain is cornered: faced by the threat of war in the Mediterranean, the British Government, they believe, will concede almost anything to avoid further trouble in Egypt.

Egypt,
February 1936.

* A seventh Wafdist and a sixth non-Wafdist were added later.

THE MARCH OF SANCTIONS

I. The Paris Peace Plan

SANCTIONS have now been in force for over three months. If their outward results have not yet been striking, they have undoubtedly had a grave effect on the underlying economic and financial situation of Italy, on which the future of her adventure ultimately depends. Meanwhile, the war has gone on, with its bloody tale of casualties and atrocities; and amid a welter of conflicting news it is apparent that the Italian forces have been unable to achieve the resounding victories they must have hoped for, and that the Abyssinians have displayed a remarkable power of resistance and counter-attack, against highly mechanised forces in difficult country far from their sources of supply. It seems fairly certain that no decisive military results will be reached in the first season of the campaign, and that the " big rains " will be a serious testing time, both for Italian morale and for the ability of Hailé Selassié and his generals to keep the Abyssinian armies together. Forecasts are dangerous, but surely this will be the period when the screw of sanctions will be most seriously felt in Italy; for no new victories or advances can then be acclaimed to rally the enthusiasm of the Italian people, and to stir them to the daily sacrifices that economic sanctions compel them to make.

Nevertheless, it was natural that many people should have agitated for an intensification of sanctions, with the aim of bringing the war rapidly to an end, and in particular for the extension of the embargo on sales to Italy to oil and other raw materials necessary for the continuance of Italian industry and the conduct of mechanised warfare. On November 6, as we recorded in the last issue of The

ROUND TABLE, the Sanctions Committee of Eighteen approved in principle the extension of the embargo to petroleum and its derivatives, iron and steel, coal and* coke, "as soon as the conditions necessary to render this extension effective had been realised". As the time for a practical decision on this issue came nearer and nearer, the possibility of violent retaliation by Italy loomed larger and larger in the minds of responsible statesmen. When the earlier sanctions had been imposed, the defensive measures taken by Great Britain in the Mediterranean had forestalled any armed retort that Mussolini may have contemplated; but with the progress of his armies checked in the Abyssinian highlands, with sanctions becoming more and more burdensome, and with the possibility of economic collapse ever more urgent, the Duce, it was felt, might prefer to go down at the hands of the great Powers, rather than submit to the resistance of the Abyssinians and the slow strangulation of the measures adopted at Geneva. Information was not lacking that the decision to apply the oil sanction might be regarded as a signal for a "mad dog act".

Whether these apprehensions were well founded or not, they could scarcely be neglected by responsible statesmen, and they were undoubtedly at the back of the minds of M. Laval and Sir Samuel Hoare when they met in Paris on December 7 and December 8 and discussed the possibility of putting forward conciliatory proposals. Sir Samuel Hoare, a sick and tired man, was on his way to Switzerland for a holiday—a fact that proved in every way unfortunate. For when the terms of the plan that he and M. Laval had agreed should be placed before the combatants were telephoned back to London for Cabinet approval, the Prime Minister and the Government were in a grave difficulty. The understanding was a *fait accompli*, and its repudiation meant rejecting the policy of the Government's own Foreign Secretary and injuring, perhaps

* See THE ROUND TABLE, No. 101, December 1935, p. 6.

irretrievably, a valuable collaboration that had been carefully nursed with the French Government. Mr. Baldwin took his personal decision, in his own words, to "support the colleague who was not present to give his reasons or to be examined." On the Monday morning, before the Cabinet as a whole had been asked to consider the proposals, the gist of their terms leaked out in Paris. Members of Parliament and the general public at once became uneasy, and the members of the Cabinet themselves cannot have relished the decision that circumstances forced upon them that day, namely, to submit the proposals to the Council of the League as a constructive, but far from unchangeable, suggestion for the settlement of the dispute.

Their doubts grew, and both the Prime Minister and Mr. Eden, then Minister for League of Nations Affairs, were plainly ill at ease when they defended themselves in the House of Commons on December 10. The damage, in fact, had already been done. Perhaps the gravest step taken or authorised by the British Government was the sending of strongly worded instructions to the Ambassador in Rome and the Minister in Addis Ababa, explaining the proposals and urging them to secure the agreement in principle of the Italian and Abyssinian Governments. Sir Sidney Barton was ordered to use his "utmost influence to induce the Emperor to give careful and favourable consideration to these proposals and on no account lightly to reject them". The proposals included the cession to Italy of eastern Tigré, a rectification of the frontiers of Eritrea and Italian Somaliland which would have substantially increased the area of those colonies, and the formation in southern Ethiopia of a zone of economic expansion and settlement reserved to Italy. As some compensation for these sacrifices, Abyssinia would receive an outlet to the sea with full sovereign rights, preferably by the cession of the port of Assab in Italian country and of a strip of territory giving access to this port along the frontier of French Somaliland; if Italy did not agree

*to this, the United Kingdom and French Governments were prepared to facilitate Abyssinia's access to the sea through the port of Zeila.**

The reaction of British public opinion against these proposals was instant and overwhelming. It is difficult, and perhaps fruitless, to analyse the motives that gave rise to this powerful public reaction, which was reflected both in Parliament and in the minds of Cabinet Ministers themselves. People felt that Italy was being rewarded for her aggression; that portions of Abyssinia were being handed to her which she had not even conquered yet by force of arms; that the League was being frustrated and the terms of the Covenant violated, since the proposals could hardly be twisted into an appearance of conformity with the guarantee of territorial integrity under Article 10. When confronted with the argument, which was the chief shield and buckler of the defenders of the plan, that to intensify sanctions before making some attempt to find a solution agreeable to the parties was to risk armed retaliation by Italy, British opinion retorted that in that event we were trying to buy off an attack on the British Empire by giving away a slice of Abyssinia. There was a strong feeling that the mandate for a League policy given to the Government at the general election had been violated, and that British prestige as well as the authority of the League had received a grave blow from within.

By the time the matter came up again in Parliament on December 19, the plan was already dead and the Foreign Secretary's position had become untenable. As early as December 12, in the Committee of Eighteen at Geneva, Mr. Eden had described the terms of the Paris plan as only suggestions for discussion by the League, adding that if the League did not agree the British Government would make no complaint.

The policy of His Majesty's Government (he said) remains to-day what it has been since the dispute began. Any final

* Cmd. 5044.

settlement must be acceptable to the League as well as to the two parties in conflict.

On December 19 the plan was formally buried by the *League Council, which "did not consider that it was called upon to express an opinion" in regard to it at* present.

When Sir Samuel Hoare rose to defend his action in the House of Commons, he had already resigned the Secretaryship of State. *He stressed the probability of an attack by* Italy if the oil embargo were successfully applied. He feared, he said, not that we should fail to retaliate with full success, but that an isolated attack of that kind, launched upon one Power without, it might be, the full support of other Powers, would almost inevitably lead to the dissolution of the League. After defending the terms themselves, Sir Samuel Hoare warned the House that, unless there were more active co-operation in pressure and in preparations by other States, collective security would vanish and the League dissolve, or, at best, a more unsatisfactory peace would have to be made. There was a strong feeling among certain Government supporters that the Prime Minister could not escape responsibility for the decisions that had been taken in that fateful weekend. Mr. Baldwin himself was contrite but obviously uneasy. However, erroneous tactics by the Opposition—combined, perhaps, with the want of any alternative candidate for the office who would be satisfactory to those who felt most deeply about this matter—ensured a rallying of the Government forces to the support of the Prime Minister, and of an amendment assuring the Government full support in pursuing a foreign policy based on the League of Nations.

That, so far as Great Britain was concerned, was the end of the Paris peace plan. The finely worded despatches of the Abyssinian emperor contrasted with the truculent bombast of Signor Mussolini in his Pontinia speech, and helped to reinforce the weight of British public opinion against

the Italian cause. In refusing to accept the Paris terms in principle, moribund though they were, Mussolini made a prime diplomatic blunder.

The peace plan episode momentarily distracted public attention from the question of an oil embargo, and the political crisis in France (as a result of which M. Sarraut replaced M. Laval) also caused a certain delay at Geneva. On January 22, however, the Committee of Eighteen resolved to set up a committee of experts to examine the technical side of the problem, and on February 12 the committee published their report. Their main conclusions were as follows:

1. Having regard to the stocks already accumulated by Italy, or *en route*, the embargo would not become fully effective for three to three-and-a-half months.

2. If the embargo were applied by all League members it would be effective provided the United States limited its exports to Italy to their normal pre-1935 level; otherwise, the result would be only to render the purchase of petroleum more difficult and expensive for Italy.

3. The embargo would be strengthened if it were extended to cover industrial alcohol and benzol, which are possible substitutes for motor spirit.

4. An embargo on the transport of petrol to Italy would likewise require co-operation by non-League Powers in order to be fully effective; its most practicable form would be a ban, not only on the movement of tankers to Italy, but also on the sale of tankers to non-sanctionist States.

5. Suitable measures would have to be taken to prevent traffic by indirect routes, especially through free ports.

At the moment of writing, no decision had been taken on this report, either at Geneva or in London, but the prospects of obtaining from the United States the necessary co-operation were obviously much slighter than they had appeared to be when the oil embargo was first mooted; for American opinion had become suspicious of any move towards participation in sanctions under the shelter of neutrality protection, and its reluctance to co-operate with the League had undoubtedly been strengthened by the unhappy episode of the Paris plan.

II. Collective Security in Practice

MEANWHILE, the attention of public opinion throughout the world had been forcibly drawn to the dangers of inadequate collective preparations for the possibility of an armed retort to sanctions. If the Paris plan did nothing else, it hastened the pursuit of an understanding on this vital question. *On October 14, the French Government had been asked whether, in the event of an attack by Italy on Great Britain, France would be willing and able, should the need arise, to collaborate in* resistance. The answer was in the affirmative.*

> The French Government (ran the reply) fully considers article 16 as implying complete solidarity of each of the members of the League of Nations, in respect of that one of them who may have been attacked by the Covenant-breaking State, if this attack has been clearly brought about by the application of the provisions of the said article, the execution of which shall have been decided upon in common.

The British Government felt that certain points concerning the practical application of this principle required elucidation, and after further discussions obtained from France an acknowledgment that she interpreted her obligations under the League as implying "unlimited solidarity of action in the matter of military, air and naval assistance". This promise was based on the assurance, already given by the British Government, that they would not "take the initiative in any measures against Italy that would not be in conformity with the decisions taken, or to be taken, by the League of Nations in full agreement with France."

Following these conversations, the British Government made similar enquiries, early in December, of the Governments of Greece, Turkey and Yugoslavia.

> The replies received from these three Governments, after consultation with one another, left no doubt of their readiness faithfully to apply all the obligations devolving upon them under

* Cmd. 5072, p. 3.

the Covenant, in consequence of measures taken in application of article 16.*

Reciprocal assurances were naturally given by the British Government. The undertaking by Yugoslavia was given after consultation, and in full agreement, with the other members of the Little Entente.

The British Government thought it necessary, when informing the League of Nations of what had taken place, to refer to the suggestion that the conversations between the military, naval and air staffs of France and Great Britain had been concerned, not only with the position in the Mediterranean arising out of the application of sanctions, but also with the north-eastern frontier of France. They roundly denied the truth of any such suggestions. Nevertheless, it is obvious that the reciprocal undertakings given on the initiative of Great Britain must inevitably become a precedent for any similar case in the future. The implications of this for Great Britain and the British Commonwealth have not yet been properly thought out. We have only to consider the hypothetical possibility of an act of aggression by Germany in eastern Europe, followed by a decision to apply economic sanctions against her, to perceive how close we have returned to the old policy of an *entente* with France. In that case, indeed, our obligations might be even more clearly defined under the Locarno pact; but public opinion is being brought to see much more clearly than ever before how intimately we are involved in any European quarrel, even to the extent of commitment to a general war, by the sanctions clauses of the Covenant. The truth that has been often reiterated in the pages of THE ROUND TABLE is being brought home to us, that for a great Power there can be no such thing as purely economic and financial sanctions that do not involve a risk of war. This is not to say that the application of such sanctions must always mean war, but rather

* Cmd. 5072, p. 4.

that they will only be successful, and at the same time unprovocative of general war, if there is behind them sufficient collective force in reserve to deter the aggressor from armed retaliation, and to turn his threats into empty bluff.

III. The Commonwealth and the League

HERE is a problem that intimately concerns every member of the British Commonwealth of Nations. They have all signed the Covenant of the League. They have all joined of their own free will in the application of economic and financial sanctions in the present dispute. It is scarcely possible to believe that in the event of an aggravation of the conflict we could rely more confidently on practical support from Greece or Turkey or Yugoslavia than from those nations to which we are bound by the ties of the Commonwealth as well as those of the League. They, too, must face this problem of the implications of their membership of the League and their support for the policy of sanctions. They have attained full independence in their external as well as their internal affairs, and with independence goes responsibility. The problem of the separate responsibility of the Dominions in world affairs, under a system of collective security, is perhaps the most urgent and vital problem that faces the British Commonwealth to-day.

In this number of The Round Table, each of the oversea Dominions sends some account of the attitude of its Government and public opinion towards the Italo-Abyssinian affair, its obligations under the Covenant, and its membership of the League.* This is no place to paraphrase or compress what writers in the Dominions themselves tell us at length and in their own words. One thing is clear from all their reports. There has been a great stirring of opinion in all the Dominions, a new

* See below, pp. 335, 376, 393, 408, 438.

recognition of their own responsibilities, a new realism *in their outlook on international affairs. This in itself is all to the good. But it is essential that before minds are finally made up the whole problem should be discussed together by the Governments of the Commonwealth.* There is no more vital question for the future of world peace, since the present dispute has shown us once again that in great international issues the influence of the British Commonwealth of Nations is always tremendous, and may well be decisive.

JAPAN MOVES ON

By a Correspondent in China

IN spite of grave preoccupations elsewhere, the attention of the world during the past six months has been claimed insistently by the Far Eastern scene. There has been a series of alarms, excursions and strange interludes, marking stages in a process, still dynamic and incomplete, of adjustment in the changing relations between China and Japan. With this process Great Britain is intimately concerned. She is faced with the problem of maintaining a great investment interest and an important trading position through a period of rapid and far-reaching political change. She is faced to-day no longer with a specific China problem, but with a Sino-Japanese problem: her own relations with China are inextricably involved in the relations between China and Japan.

Two other great Powers enter the picture—but their bearing is hesitant and obscure. The United States, too, has an investment interest in China, though small compared with the British; but to-day her mood seems to demand a negative policy in the Pacific. Yet at some future time she is capable of becoming a factor of decisive importance; to-day she stands in the background, imponderable and indeterminate in her relations with Japan. Soviet Russia, likewise urged at present by no positive impulse, lies in Outer Mongolia in direct and changing contact with China and Japan. A land Power with an undefined frontier with both countries, she is a factor of immediate if negative importance in determining certain aspects of Japan's policy in China. Nevertheless, for our present purposes the

problem must be considered in terms of a tripartite international relationship—Great Britain, Japan and China.

An article in the September issue of THE ROUND TABLE * showed how a new world has come into existence in the Pacific, how Japan has established a new position for herself in China, and how—by virtue of this position—she *feels strong enough to prevent the West from shaping its relations with China independently of its relations with Japan.*

I. The Basis of Japanese Policy

JAPAN'S *China policy is no half-and-half affair. In its essentials it has become firmly entrenched in the national* consciousness; its roots are buried deep in the disturbed psychology of a consciously expansionist State.

Arguments are often advanced suggesting a cleavage between the military and civilian elements. Differences exist about method and time; but not about fundamental issues, as far as China is concerned. The industrial and commercial interests centred at Osaka have for many years experienced grave difficulties in trading with central China; they have little faith in any imminent resurgence of China as a valuable market for their goods; rather they regard her as a dangerous industrial competitor of the future. For this reason there is little opposition in Osaka to a forward policy in China designed to strengthen Japanese economic control over China's resources, even perhaps at the temporary expense of Japanese trade. The army is the agent for initiating and carrying out successive steps in the development of Japan's China policy, and in its efforts to evolve its own economic theory the military mind has certainly been criticised. But on the whole there seems to be much less division of opinion to-day than there was during the early anxious days of the Manchurian affair.

Such dissension as exists is better explained in terms of rivalry between the specialised and highly individualist

* See THE ROUND TABLE, No. 100, September 1935, p. 684.

military agents who are so active in the promotion of policy. In Japan there is a tendency both in the Foreign Office and in the army to leave the conduct of Chinese affairs to specialists in both services. The army experts are a forceful clique: they have their own political dream of Japanese domination in China: they toil and scheme incessantly, laying plans both political and economic: they are deeply involved in the internal political structure of China. This specialised, semi-political, powerful executive agent sometimes out-distances the less specialised officials in Tokyo. There is jealousy between the China experts in the army and the Foreign Office, and—as was shown in the recent episode in North China—there is bitter and sometimes stultifying jealousy among the soldier-diplomats themselves. But, in spite of these differences over the application of policy, the main features of the policy itself are accepted by the nation as vital to Japan's destiny as an expanding Power.

Japan is determined to guide the future development of eastern Asia. This development is to take the form of close economic and political co-operation between Japan, China and Manchukuo. China and Manchukuo are to become increasingly important to Japan as suppliers of raw materials for Japanese industry. It is because she fears China as a potential competitor that Japan mistrusts uncontrolled industrial development in China; this fear is behind her determination henceforth to play the major part in guiding China's progress. It has an important bearing upon her attitude towards the relations between China and the West—and towards the recurring rumours of loans and constructive assistance to the Chinese in developing their country. Japan is determined to destroy all resistance to the growth of her influence in China. She sees in any effort made by the Chinese to develop their economy independently, or in co-operation with some other nation, such as Great Britain, an attempt to hinder the fulfilment of Japan's " manifest destiny " on the Asiatic mainland.

Against this background of Japanese policy should be viewed the whole series of recent events. It illuminates the developments in North China and renders comprehensible the almost universal hostility directed against Sir Frederick Leith-Ross and the part that he is alleged to have played in aiding and abetting the Chinese in their adoption of a paper currency.

II. Developments in North China

IN the latter part of last year, North China was the scene of a political upheaval symptomatic of the forces at work in shaping the changing relations between China and Japan.* To the outside observer there was a certain obscurity in the actual march and countermarch of events; but their main trend followed the general direction of Japanese policy. The sequence was confusing chiefly for two reasons—the complexity of the personal relations out of which Chinese politics are woven, and the subterranean and highly specialised methods employed by Major-General Doihara, the head of the Special Mission of the Japanese Kwantung army, an expert in Chinese affairs, and the prime mover in the recent happenings in North China. A situation initially complicated was further confused by a difference of opinion among the experts themselves; ambitious and politically-minded Japanese generals confronted each other with rival candidates for the administration of North China. And, to the surprise of all, including themselves, the Chinese, taking advantage of a weakness in the Japanese position, succeeded, if not in gaining a diplomatic victory, at least in surrendering much less than at first seemed inevitable.

The original plan for five so-called "autonomous provinces" was to have been a logical step in the fulfilment of Japan's policy for strengthening her political and

* See map, below, p. 305.

economic domination of China—an extension, south of the Great Wall, of a system of control more attenuated and less direct than the system of direct control established in Manchukuo. It was foreshadowed in June last year, when Nanking troops were forced to withdraw from North China. And it was closely associated with the strategic schemes of the Japanese army for extending military posts through Chahar and into Suiyuan, in order to maintain frontier contact with Soviet Russia along the borders of Outer Mongolia. General Doihara based his plans upon a combination of intrigue and adroit manœuvre, among Chinese war lords in power and political cliques out of power, and upon a liberal use of the threat of force, backed by the presence of the Kwantung army on the other side of the Great Wall.

Yet, in spite of well-laid plans, the five-province programme failed. Its failure was due essentially to the fact that Japan was not prepared to use military force within the Great Wall It is still an accepted axiom in Tokyo that Japanese troops on a large scale are not to be employed in China proper: Japan does not feel strong enough in men or resources to establish a second Manchukuo in the vast territory of North China.

The Chinese, nearly too late, discovered this weakness in Japan's position, and themselves were able to play the game of intrigue and diplomacy in which they traditionally excel. The military governors of Shantung and Shansi provinces, both of which were to be included in Japan's "autonomous" imperium, refused to dance to General Doihara's tune, preferring for the present to remain in a state of semi-independent suspension between the central government at Nanking and the Japanese-influenced provinces contiguous with the Great Wall. The Chinese were greatly assisted in their tactics of evasion by a difference of opinion among the Japanese agents themselves—the failure of General Doihara and his technical superior in command of Japanese troops in North China to agree

upon a common list of names for the Chinese administration of the " autonomous " area.

On the ruins of the five-province scheme the Japanese succeeded in erecting a two-province arrangement for Hopei and Chahar. Within this two-province administration is established an *imperium in imperio*—a small "independent" régime known as the East Hopei Autonomous Council, which came into existence as an initial move in the five-province alignment. Yin Ju-keng, a Japanese puppet, is in nominal control of the " East Hopei Autonomous Anti-Communist Government ".

Sung Cheh-yuan—a Chinese general of the old school—has been established for the time being at Peiping as head of the new Hopei-Chahar Political Council. The status of the administration is still indefinite. General Sung Cheh-yuan remains nominally loyal to Nanking; there has been no official pronouncement of " autonomy "; national customs and postal revenues are to be remitted to Nanking for the time being, but railway and salt administration funds are to be kept in North China. The East Hopei administration of Yin Ju-keng, which is under direct Japanese supervision, acts as an " independent " authority, and it proposes to appropriate all revenue collected in the districts under its control. Its area is elastic, changing continuously. Japan will be able to use the Yin Ju-keng régime as an effective instrument for bending Peiping to her wishes.

Thus North China, for the moment, has regained a semblance of tranquillity; but the situation is plainly unstable, with relations with Nanking undefined and the measure and form of Japanese control undecided. At present the Chinese have resisted the appointment of Japanese advisers within the Peiping administration. Japan's military agents will now seek to attain their objectives by means of such pressure and influence as they can exert upon the new Council. They can claim success in the outcome of recent events in that they have eliminated

certain "anti-Japanese" elements from North China and established an administration disposed to deal favourably with Japanese demands. If this administration fails to yield results, we shall probably witness in due course another political upheaval in North China and a new quorum of Chinese officials established in Peiping.

The immediate issues to be forced upon the Peiping régime will be local in character, reflecting demands of the Japanese military authorities arising from the ill-defined frontier relations between Manchukuo and North China. These demands are centred upon questions of communications—railways and air-lines—and of local commercial and industrial projects involving some measure of control of Chinese investment. Eventually there may be an attempt to bring about a customs understanding between North China and Manchukuo, combining both areas as a single economic entity.

But as a step in the development of Japan's general policy the two-province arrangement is linked with the ultimate conceptions that were also behind the plan for the five provinces. In this respect the five-province scheme is not dead. In Hopei and Chahar—as eventually in other parts of China—Japan desires to shape economic developments to her own ends, to supervise public expenditure, to influence investment, and to check economic or political activity that appears to be inimical to Japanese aspirations. It is not hard to see how British investment and trading enterprise may be affected in North China, and later elsewhere, as Japan's policy becomes increasingly effective.

III. Nanking and Japan

It is sometimes asserted that Japanese actions in North China cannot be reconciled with the attempts of the Japanese Ambassador in Nanking to improve the relations between the two governments. In reality there is no such contradiction.

So far, the Japanese have been successful in proving their contention that they can better their relations with China by the use or threat of force. They have broken the boycott by force; they have made it plain that all activities against Japan will be met by force; by using the threat of force they are insisting upon Nanking's abandonment of the traditional policy of balancing one foreign Power against another. China is to be compelled by force to look to Japan for guidance; and those political elements described as Western and American-trained are to be plainly shown that they must cease to rely upon Europe and America in resisting Japan. Japan is pursuing a policy of conciliation through compulsion. She has made it plain that every little incident—even the breaking of a Japanese shop-window in Shanghai—will be followed by swift, possibly brutal, retaliatory measures.

The success of these tactics has been remarkable. In spite of the revival for one week in December of organised student opposition throughout the country, the events in North China have run their course without weakening the capacity of the Japanese Ambassador to continue the policy of "conciliation" in Nanking. Chiang Kai-shek has reorganised his Government, emerging himself for the first time as titular head of the civil administration; in replacing certain officials he has included a greater number of men educated in Japan with whom the Japanese will be able more easily to negotiate. The Western and American-educated group has been weakened.

The violence of the recent student agitation is a danger signal showing that the forces of hatred are widespread and deep. There may be a point beyond which, in yielding to Japanese demands, the Nanking Government cannot move without imperilling its own position. Chiang Kai-shek, in assuming open and direct responsibility for the conduct of foreign policy, has given a hostage to fortune. His principal danger is held to be that Japan may press him too hard: so hard that he may eventually find it

impossible to maintain his administration in face of the resentment of an increasingly bitter public opinion.

Armed resistance to Japan—insistently demanded by all sections of Chinese opinion not directly responsible for the execution of policy—would result in the disappearance of the Nanking Government and the destruction of all those elements of national unity and progress that Chiang Kai-shek is endeavouring to strengthen and preserve. But Chiang Kai-shek's position is based upon military power. To-day he is stronger than he has ever been; and those who believe that Japanese pressure may eventually wreck him on the rising flood of Chinese public opinion tend to forget the strength of the foundations on which his power rests.

Nevertheless, it is for Japan to show some reasonable measure of restraint. And some fear that, since Japan appears to regard British and other foreign investments as an obstacle to her policy, she may be prepared in certain circumstances to tolerate a period of political disturbance in the Yangtze valley, and to wait for a time in order to re-establish her own investments—now so much smaller than Great Britain's—securely upon what relics may then remain of the investments of the Western Powers. This view, however, seems to be unduly pessimistic. There is no evidence that Japan seeks to destroy the Nanking Government.

All present indications point to a resumption of negotiations between Nanking and Japan for "improving relations between the two countries", and to a gradual yielding of concessions, political and economic, in response to Japanese diplomatic pressure, supported by the threat of armed force. These concessions may affect British trade and investment in a variety of ways—and not to their advantage. And eventually, perhaps, we shall see a Japanese adviser established in each of the spending departments of the Nanking Government.

IV. China's Currency Reform

INTO the middle of this shifting, sensitive, political situation plunged Sir Frederick Leith-Ross, the Chief Economic Adviser to the United Kingdom Government. He was sent to China to investigate the economic situation with special reference to the currency problem, and to make recommendations to his Government as to the best method of maintaining British investment and trade. But it was impossible for one in his position to visit the Far East at such a time without becoming a leading figure on the Far Eastern political stage. In Japan his advent was interpreted as a major political move by Great Britain to revive British prestige in China and to breathe a little fresh hope into the hearts of the Chinese, who were rapidly giving way before the pressure of Japanese policy.

At this stage in the development of her relations with China, Japan is not prepared seriously to discuss co-operative international plans for assisting the Chinese government. It is by no means certain whether Japan will be prepared at any time in the future to support a plan for extending international financial assistance to China—even though such a plan may be of immediate benefit to Japanese trade. Rather than join in strengthening the investment stake of the West, she may prefer gradually to develop her own policy in isolation, even at the cost of retarding China's economic progress. The proposals made by Sir Frederick Leith-Ross in Tokyo were received coldly; they were regarded as an attempt to check the advancement of Japanese policy in China.

Then followed the conversations with Chinese bankers in Shanghai, from which emanated on November 4 the Chinese Government's announcement of currency stabilisation and the nationalisation of silver. In Japan, civilians and militarists alike united in denouncing the perfidy of Sir Frederick Leith-Ross and in stigmatising the currency measures as "a crushing blow to the stability of the Far

East". There was no attempt to criticise the currency measures on economic grounds; actually a similar plan had been advocated by Japanese economists for some months. The opposition was essentially political. Japanese militarists declared that Sir Frederick Leith-Ross was trying to prevent the completion of their plans in North China: in the same breath they advanced specious arguments accusing him of responsibility for the "autonomy" movement.

It was perhaps unfortunate that the Leith-Ross mission coincided with Japan's political enterprise in North China. The Japanese realised how unsettling to the Nanking mind would be the incursion of Sir Frederick Leith-Ross at that moment—giving to the Chinese a little moral support at a time when Japan was concentrating her efforts upon knocking away every moral prop from beneath them. In this sense the currency question cannot entirely be dissociated from the situation in North China. In the opposite sense, it was claimed that the northern provinces' unwillingness to surrender their silver stocks to the central government set a premium upon "autonomy." This argument is hard to swallow. The central government yielded to northern demands by establishing local reserves for provincial silver stocks; and the question who is to take the profit on sales of silver can be adjusted, as these questions always are, in a true spirit of Chinese compromise.

The anti-British outburst in Japan was intense and widespread. Commenting on the currency measures, the Japanese War Minister announced, more in sorrow than in anger:

> that China should suddenly take such a course without consulting Japan can only be interpreted as a complete lack of interest on the part of China in improving her relations with Japan. The army will take no action at once, but, when the time comes to act, it will not hesitate.

At first it was believed in Japan that a British loan had been promised to support China's new currency. The very idea

of a loan to China was assailed publicly as a disturbing influence in the Far East and a malicious onslaught upon Sino-Japanese relations.

To-day it seems that these tactics (even if they have failed to deter the West from contemplating a loan to China in the teeth of Japanese opposition) have at least made the Chinese feel a little hesitant about accepting money from outsiders, however eagerly proffered or however sorely needed. The Chinese now announce that there is no question of a foreign loan and that they are well able to maintain their currency without any such assistance. Meanwhile, Great Britain, largely by force of circumstance, is identified with a currency reorganisation which, in the opinion of many, may depend for its ultimate success upon a foreign loan to China.

Great Britain's problem in China remains part of the larger problem of her relations with Japan. It is not easy to see what Sir Frederick Leith-Ross can accomplish in China until this larger problem is faced, and unless the British Government is able to readjust its relations with Japan by means of influence—economic and financial—exercised in spheres beyond the confines of China.

V. The Shanghai Problem and the Future

AT the same time as events were shaping themselves in the north, there developed an agitation among the Japanese community in Shanghai against the predominant British control of the International Settlement. This outburst, although not unconnected with Japan's growing sense of power *vis-à-vis* the West in China, was also a purely local reflection of a stage in the development of Shanghai. The problem of Shanghai has assumed a new form as a result of the rapid increase of the local Japanese population during the past ten years. The Japanese community living in the International Settlement, and in the "external roads" areas adjacent to the Settlement, is

estimated to-day at about 30,000, compared with a British community of 8,000.

As a natural result of the historical development of Shanghai as a predominantly British enterprise, the administration of the Municipality has been built up on British lines and is largely staffed with British officials. The American community, which is much smaller than the British, has been content with a minority representation on the Municipal Council and with a very limited participation in the administrative machinery. It is against British control of the administration of Shanghai that Japanese agitation is directed. This pressure is likely to grow with the natural increase of the Japanese population and with the logical advance of Japanese policy in China. Japan's demands in Shanghai are for increased representation on the Council, greater participation in administrative posts, a reorganisation of public expenditure to conform rather with Japanese than with British standards, and a revision of the franchise on a more democratic basis. This last demand is significant; for, although the Japanese far outnumber the British, their voting power is to-day smaller.

The comparative figures of British and Japanese population are misleading in the sense that a vast majority of the Japanese residents are small shop-keepers and labourers, whereas the British community, representing considerable wealth, consists in a large measure of well-paid business executives and traders. Shanghai is essentially a capitalist structure: it was created in order to afford legal and administrative security to vested interests in investment and trade. Any change in the direction of democratising the administration of Shanghai would not only entirely alter the balance between the Japanese and British communities; it would sacrifice the whole purpose for which Shanghai in its present form exists—as a protective structure for foreign trade and investment. Moreover, the Chinese monied interests closely identified with the capitalistic organisation of Shanghai would shrink in horror from any

ition for placing Shanghai's constitution upon a more or democratic basis.

· municipal franchise is based upon a high property cation. The British property-holding and invest- in Shanghai are still far ahead of the Japanese. The vailable figures, calculated after a careful survey in showed the following comparison at that time en British, Japanese and American investments :

itish investments	£151,000,000
panese ,, ...	44,000,000
merican ,, ...	26,000,000

figures show how extremely important is the British in Shanghai, and how immense has been Great i's contribution in building up Shanghai to its t position as a great city. In spite of Japan's ical predominance, the British community in hai still contributes nearly twice as much as the se towards the municipal taxation. For these s the British community feels that there is still a just for the predominance of British control in the ipal administration. The Japanese agitation is to t by organising British voting power so as to muster rength at the forthcoming election of Councillors. empt will then be made to meet the Japanese demands *hoc* issues, within the framework of the present strative structure, and to remove Japanese grievances he distribution of municipal expenditure, to the limit that equity and the just claims of all sections community will permit.

Japanese agitation has given rise to a fresh con- ion of the whole Shanghai problem. In some rs the occasion has provoked a proposal for an tional conference with a view to amending the utional and political status of the Settlement. The stration and international status of the Settlement ieasily upon the Land Regulations—a limited scheme

of government originally designed for the administration of an area predominantly British. To-day this area contains nearly a million Chinese. Pressure directed against British control has in the past come from the Chinese. This pressure has at times been so insistent that a few years ago it seemed to be only a question of time before the Chinese demands would have to be met. Rendition of the Settlement to China was accepted by the British Government as inevitable in the long view.

To-day the promotion of Japanese claims and Japanese pressure have altered the position. In face of the Japanese problem the British community seems for the moment to have forgotten its former fear of Chinese encroachment; and the Chinese for the same reason hesitate to disturb the present *status quo*. In their present mood the Chinese would prefer the Settlement to remain British and American, if the only alternative is for it to become Japanese. Great Britain remains poised in anxious balance between Chinese aspirations and Japanese demands. It is generally recognised upon what a circumscribed and uncertain foundation the present administration rests and how easily it could be stultified in practice by Chinese refusal to recognise its *de facto* validity or by Japanese intransigence.

A proposal for joining with China in an attempt to regularise the status of Shanghai as an international and predominantly foreign administration was made in 1932 after the Japanese hostilities; for it was hoped that the display of Japanese armed force would induce the Chinese to concede a status to Shanghai that would give a new lease of security to foreign investments and trading interests. To-day a similar proposal is inspired by the same reasoning —and it is open to the same objections. Successive Chinese Governments have refused to accept the validity of the Land Regulations; foreign control of the International Settlement is viewed " through a glass darkly "; any amendment of the status of Shanghai except in the direction of rendition to China could be achieved only as

the result of pressure based upon force—under present conditions upon Japanese force, Japan being the only Power able and willing to employ coercion in her relations with China.

The risks inherent in such an attempt to procure a readjustment of the status of the Settlement are obvious, apart entirely from the questionable morality of any arrangement whereby British interests would take advantage of the temporary services of Japanese bayonets, and apart from its bearing upon the wider implications of our foreign policy. Even if, for a time, such action were to result in greater security and prosperity for British trade and investment, and were to stabilise the present uncertain status of urban areas outside the boundaries of the Settlement which have been built up by foreign enterprise, Japan and not Great Britain would thenceforth be the dominant Power in Shanghai. Japan would never lend the weight of her power without making sure that she emerged from the negotiations as the predominant partner in the Shanghai administration. And any such settlement imposed upon China by the threat or use of force could be maintained only by force—force exercised by Japan. In relation to Japan, Great Britain's position would be humiliating: in relation to China, her prestige would vanish into thin air.

It seems, then, that we have no alternative but to remain uneasily suspended between China and Japan, meeting in administrative matters the legitimate demands of the Japanese community and at the same time endeavouring to pave the way for the satisfaction of Chinese aspirations, in so far as they can be adapted to a reasonable measure of protection for British trade and British investment.

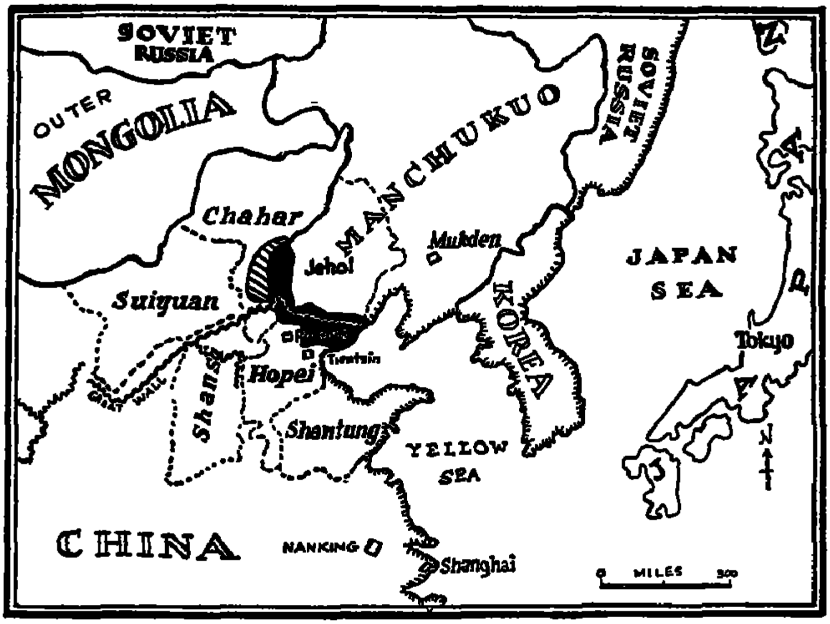
As an alternative solution for the Shanghai problem, it has been suggested that a wise process of administrative decentralisation might later be followed by an attempt to separate from the rest of the Settlement those areas where Japanese population is mainly concentrated. Apart from certain grave practical difficulties, such an arrangement

would surely be equivalent to a gesture of despair. With Japan entirely dissociated from the administration of the International Settlement, British interests would be faced sooner or later with a process of relentless attrition—with Japan acting in conjunction with the Chinese either as forceful master or as willing coadjutor.

It must be the ultimate purpose of British policy in China to bridge, not to widen, the gulf between Great Britain and Japan: to convince Japan that it is not in her best interests to direct her growing power in China against the British commercial stake. In spite of enormous difficulties it must be our aim as far as possible to integrate British and Japanese trading interests in China, rather than to add another stone to the wall that to-day dangerously keeps them apart. And in Shanghai we still have a platform upon which, at least in theory, some process of integration should be possible.

China,
January 1936.

NORTH CHINA AND MANCHUKUO



The above map shows the five provinces which were to be incorporated in the abortive northern autonomy scheme.

The black area is the Demilitarised Zone, which was forced upon China after the Japanese occupation of Jehol. The " demilitarisation " of the zone on the Manchukuo side of the Great Wall has no practical significance, since Japanese troops occupy the Great Wall passes. Indeed, Manchukuo and Japanese troops have pressed forward into Chahar, the area occupied being indicated by shading.

Outer Mongolia is under Russian influence. Japan's stategic aim is to establish a series of military posts westwards through Chahar into Suiyuan, in order to maintain contact with Russia along the frontier, to secure Manchukuo against attack from the west, and to insulate Inner Mongolia from Russian penetration.

The " autonomous " administration of Yin Ju-keng lies in the Hopei portion of the Demilitarised Zone, within the Great Wall.

COLONIAL RAW MATERIALS

IN two striking ways the Abyssinian conflict has brought the world economic problem to the front of public interest and international concern. On the one hand, the League sanctions have been, in effect, an intense economic war, and experience of them has thrown much light on the place of economic weapons and economic vulnerability in general strategy. On the other hand, economic pressures are among the inner causes of Italy's aggression, and economic requirements are among her avowed war objectives. Sir Samuel Hoare's speech of September 11 in the League Assembly acknowledged, with the authority of the world's greatest trading and investing country, that if war as an institution was to be uprooted an attack must be made on its underlying economic causes. As a contribution to this end he promised British co-operation in an international enquiry into the distribution of colonial raw materials. The wheel comes full circle: among the causes of war are the repressions of economic nationalism; and economic nationalism is intensified by the fear of war. The two problems, like the problems of security and disarmament, must be attacked simultaneously; for it will be just as fruitless to try to moderate the economic causes of war if the fear complex remains to undo our work, as to try to construct a system of security while leaving untouched the inner economic causes of insecurity. The present crisis has shown us clearly the futility of penning international pressures in a prison of unalterable treaties and automatic sanctions.

I. Colonial Resources and National Defence

THE struggle for sources of raw materials and foodstuffs, like the struggle for national self-sufficiency, has often been inspired by a desire for greater security in time of war.

Italy's wheat campaign and her quest for economic resources in Abyssinia are of a piece together. But if strategy is the purpose, strategy must also be the test, and there is no escaping the conclusion that colonial resources are useless as a war-time safeguard unless they are backed by secure command of the routes of supply. Without command of the seas, as Germany found in 1914–18, distant colonies are valueless as an economic tap-root in time of war. Germany's present decision not to challenge British command of the seas therefore implies that for the time being she has relinquished this purpose at least of her colonial ambitions. On the other hand, if a nation possesses command of the seas, the question whether or not it also holds the sovereignty of colonial territories becomes of secondary importance. So long as the British fleet remains capable of keeping open the trade routes between the mother country and the Dominions and colonies under the British flag, it will likewise be capable of safeguarding supplies, not subject to embargoes, from such countries as the United States, Argentina, or the Netherlands East Indies. To take a parallel instance on land—Germany's access, in the event of war, to the oil wells and granaries of Roumania and Hungary depends, not on whether the Swastika flies at Bucarest and Budapest, but on whether German alliances and German power can keep open the routes through Poland and Austria. Thus, viewed from this angle, the problem of economic resources is definitely subordinate to the problem of naval, military and air power.

But that is not an end of the matter. Dependence on insecure resources, whether colonial or foreign, provokes, in a world of power politics, efforts towards greater self-sufficiency. These in turn give rise to volcanic internal pressures, which, when they erupt, demand strategic as well as economic relief. The reverse side of the panel is the fact that Italy's covetousness towards Abyssinia, conceived in terms of strategy, necessarily implies a covetousness towards the command of the communications between

the hoped-for colony and Italy itself. Whether at the back or at the front of his mind, Mussolini's ambition is apparently to command the eastern Mediterranean, the Suez Canal and the Red Sea; otherwise, in the event of a clash with the other naval Powers of the Mediterranean, Abyssinia must be a strategic handicap rather than a strategic asset. The next—or possibly an intermediate—step is to secure for Italy the control of the alternative route to Addis Ababa by way of Egypt and the Sudan.

The sanctions episode has taught the Duce, as well as the rest of the world, several lessons. It has taught him and us the vital importance of command of the seas in protecting lines of supply and military communications. And it has taught us the tremendous power for the suppression of war that resides in simultaneous command of the seas and of vital economic resources. The first real test of economic sanctions has shown that the refusal of finance, the stoppage of purely military supplies, and the ban on imports from the aggressor country are slow and uncertain in their effects compared with the denial of essential raw materials, notably oil, coal and metals—provided they are withheld promptly. The threat of an embargo on oil, late as it was, altered the whole face of the international situation. If oil could be withheld from Great Britain, even the vast resources of the whole British Empire would be inadequate to carry on a prolonged war with modern weapons. There is not a country or an empire in the world—not the United States, not Russia, certainly no European Power—that is independent of outside sources of supply of materials essential for the prosecution of mechanised warfare. Here, then, is the most potent weapon available for the defence of the peace system—not for the rigid prevention of international change, but as an ultimate sanction against defiance of international law and the contumacious rejection of reasonable, peaceful terms of adjustment.

Economic sanctions, of course, must have behind them a sufficient reserve of armed power to prevent the

essor from retorting with an effective threat of war. hesitations of British policy in asserting the authority ıe League have been largely based on the feeling that .is case the reserve of armed power was represented by British navy alone, and that the national risks were :fore too great. Economic sanctions require also a ıer condition that is not necessarily required by military :ions. They require the co-operation of non-League ers. In this instance, of the three great Powers outside .eague, Japan was of no great consequence as a supplier aly's vital needs, while Germany, anxious to retain sh friendship, preoccupied with rearmament, and strung by her own economic difficulties, has not :nted a serious obstacle to successful economic sanc-, though she and other non-participating countries certainly retarded their effect. The neutrality policy ıe United States is designed primarily to keep her of war, not to help the League, but its development vital importance to the League and, in the long run, :ially to the British Commonwealth, which would to bear the brunt of any friction that might be caused ıgh interference with American trade.

ıe high tide-mark of the neutrality flood was the Bill duced by Senator Pittman and Mr. McReynolds on ary 3, which would have gone three-quarters of the towards making the United States an effective, though :ive, collaborator in economic sanctions; for it would authorised the President, among other things, to restrictions on the shipment to belligerent countries ticles or materials used in the manufacture of instru-s of war, or in the conduct of war, whenever "to n from placing such restriction would contribute to a ngation or expansion of the war". It even went so s to propose that Congress, with the President's oval, might agree to discrimination between the erents in respect of the embargoes or restrictions that horised. The Bill itself is dead, it seems, and American

opinion is still violently at war with itself on the neutrality issue. But the conflict is taking on a new realism; for the mist of vague ideals and traditional formulas is clearing away, to reveal the hard inner choice between the sacrifices required by isolationism and the sacrifices required by a new internationalism. The Americans, who to-day feel that economic forces brought them into the war, may come to perceive that on the economic plane is to be found, not only many of the causes of war, but also part of its cure. And in the foreground of the economic aspect of war to-day is the problem of access to essential raw materials and foodstuffs.

II. The Economic Complex

THAT problem has several aspects; the strategic aspect has been mentioned already. When we turn from the contingencies of war to the opportunities of peace, there seems at first sight to be no serious difficulty; for, as Sir Samuel Hoare put it in his Assembly speech, " there is no question in present circumstances of any colony withholding its raw materials from any prospective purchaser. On the contrary, the trouble is that they cannot be sold at remunerative prices ". But the matter cannot rest there. Not only does the root of the trouble lie in the question why the prospective purchasers cannot afford to buy; we must first clear aside the minor fact that certain important colonial commodities are indeed being " withheld " from purchasers, in the sense of organised restriction of production or export. International restriction schemes are in force for rubber, tin and copper, among other commodities. Sir Samuel Hoare made passing reference to the efforts of a Commission of the World Economic Conference in this direction.

Its work (he said) was directed primarily towards raising wholesale prices to a reasonable level through the co-ordination of production and marketing, but one of the stipulations of such action was that it should be fair to all parties, both producers

onsumers, that it should not aim at discriminating against a :ular country, and that it should, as far as possible, be worked the willing co-operation of consuming interests in import- ɔuntries.

e is considerable virtue in "so far as possible". Con- ng interests, not otherwise interested in the producing :m or country, will always prefer a lower to a higher , unless indeed the lower price implies an eventual ɔse of the industry, threatening a shortage of supplies /hich a temporary low price would be no compensa- Can anybody doubt that Germany, for instance, d prefer to buy rubber at 3d a lb instead of 6d, or t £175 a ton instead of £225, or copper at £25 a ton ad of £35? It is true that the restriction is not dis- inatory; Great Britain has to pay the same price as nany for these commodities. But Great Britain is a investor in the industries that produce them, and reaps tra profits much if not all of the additional price that ıas to pay for her needs. It is as an investing country 'r than as an imperial country that she ranges herself ıe side of regulation of output or export with a view to ıg primary prices.

ıt she gains another advantage also, one that is open, he face of it, to all other countries, whether directly ested in the producing industries or not, and one that serve to justify such regulation as a measure towards d recovery. She gains the opportunity of selling more ıe producing countries. If, then, the regulation of uction or export of primary commodities is not to t heart discriminatory, equal opportunity must be ded to all "prospective purchasers" to sell their goods ıe producing countries. Thus the minor problem of ction is entangled in the major problem of inter- nal selling and buying. The difficulties of the ucing countries in selling, and those of the consuming tries in buying, amount to the same thing. The ıming countries have not the means to buy, and they

have not the means to buy because they themselves cannot sell.

Germany may be taken as an example of a country that *not only is deprived* of colonial resources of its own but *also meets* with economic obstacles in seeking to tap the *resources of others. Germany's balance of trade has steadily deteriorated during the depression. In 1931 she had an export surplus of Rm. 2480 millions; in 1934 she had an import surplus of Rm. 278 millions.* In 1935 she changed this deficit into an export surplus of Rm. 113 millions, but she did so more by means of a further curtailment of imports than by means of an expansion of exports. In spite of the stoppage of her debt service, she has no margin now to finance additional imports except through additional exports. Among the causes of this situation there are at least two factors the blame for which must be laid at Germany's own door. The first is her rearmament programme, which has compelled her to substitute, among her imports, the raw materials of armaments for goods that might contribute more directly to the welfare of her people. This, however, does not in any way weaken our present conclusions, since the materials of armament are among the commodities with which we are here chiefly concerned. The second factor is Germany's determination, while maintaining the nominal parity of the reichsmark, to conduct her internal economy on an inflationary rather than a deflationary basis, thus handicapping herself in competitive export business. Her leaders would have us believe, indeed, that she is seeking self-sufficiency for its own sake, regardless of what other nations may do; but it is impossible to avoid the feeling that this is only to make a virtue of necessity. When every allowance, however, is made for these factors, it remains true that Germany has been struck particularly hardly by the tremendous rise in barriers to international trade, including those imposed by Great Britain, and that this has had a disastrous effect upon her international capacity to buy.

What has this to do with the problem of colonial raw materials? It suggests, first of all, that neither the prosperity of the colonial producers, nor a relaxation of the tension between the contented and the discontented Powers, will be permanently achieved *until there is a great reduction in world trade barriers. That is the true inwardness of the problem mooted by Sir Samuel Hoare in September. The facts, however, have a still closer application to the colonial problem.* Quite apart from restriction of output or trade in any particular commodity, a discrimination in imports is in effect a discrimination in exports. We cannot, indeed, treat the trade between, say, Germany and West Africa as though it were isolated in Martian seclusion from the whole complex of world trade; Germany's ability to buy from West Africa depends fundamentally on her ability to obtain the necessary foreign exchange, which she may acquire by exports to any country in the world; her channels of trade and currency may be multilateral. But on the whole it is easiest to buy in the country in which you sell. The basis of imperial preferences, from the point of view of the colonies, is that the more they take of British goods the more they will be able to sell in Great Britain; the converse, taking colonial trade as a whole, is equally true—the less they take of foreign goods the less they will be able to sell in foreign countries. Hence imperial preference in the colonies is at bottom a form of discrimination against foreign countries in respect of their access to the things the colonies produce. There may be—there are—many economic and political arguments in favour of a preferential régime for the dependent empire, but here we are concerned only with one aspect of the problem, which all agree is vital to the future of world peace. We cannot genuinely offer to open the question of access to colonial raw materials unless we are prepared to reconsider the question of imperial preference as applied to the colonies concerned. The psychological terms may be just as important as the economic terms. We cannot ignore the effect upon the

outlook of Have-not Powers of an exclusive economic policy applied to the empires of the Haves.

*In a recent article * we gave reasons for questioning the basis of such an exclusive economic policy in terms of our* obligations as trustees for native interests. The attitude of mind that regards the colonies as "our markets" (in Mr. Runciman's phrase) is incompatible with the acceptance of trusteeship. It is equally incompatible with a sincere attempt to strike at the roots of international conflict by removing the just grievances of the discontented Powers. Imperial preference between the self-governing members of the British Commonwealth, each of whom can be relied upon to look after its own long-term interests, is an entirely different matter. As far as subject territories are concerned, there is only one policy consistent with equal access to colonial raw materials, and that is the colonial Open Door.

* See The Round Table, No. 97, December 1934.

THE PULSE OF AMERICA

I. The Music Goes Round and Round

THE American commonwealth is an excited and confused place these days. All at once we are flung into the middle of one of our unbearably protracted presidential campaigns. We are paying on demand a bonus to war veterans which is the largest single hand-out in the history of any nation. We are involved in a fundamental struggle within our unique institution of judicial supremacy over executive and legislative branches of the government. We are engaged in revising our whole concept of war-time relations with other nations. Apart from the countless side issues, many of them of grave importance, there is the basic question of national recovery: of return to a normal economic structure in which people can find work through the established channels of capitalism, and in which vast doles to support more than a quarter of our people in one way or another will not be necessary. Yes, it is a crowded stage, with the orchestra blaring forth in its pit, and the gallery throwing down orange peel and peanut shells, and the people in the stalls setting up an apoplectic outcry.

To get the sense of the country today, we must start with people. Despite the fact that we are in an electoral year with all its tumult, there is the definite feeling that things are less feverish. The stock market, of course, is jittering up and down, aching for an excuse to fly balloons into the empyrean of inflation. But despite all temptations, the great break upward has not yet come. The American boom about which we have heard so much ever since 1933 is certainly not quite here yet. It is probably

safe to say that the gases are hissing into the balloon faster than hitherto. No one can say when the valve will give way—or if it will give way. Skepticism is probably still the soundest emotion.

But people do not know much about the stock market. They only know about their jobs, and the price of groceries, and the weather. As to these fundamentals: jobs are easier come by than they were; groceries cost a little less than before the processing taxes of the AAA were upset by the Supreme Court; and the weather is very cold. But more people are in Florida than in any previous winter. They are not millionaires, but middle-class folk, who drive their own Fords down, or ride very cheaply on the buses, and live in tiny jerry-built apartments at small cost.

Our national economy is not yet healthy, there are still some 10,000,000 people unemployed, the national budget is in a cosmic mess; but people are in a good humor. The automobile companies brought out their "1936" models in November of 1935, and sold a mighty deal of cars, which is possibly as close as you can get to the great heart of the American people . . . except for the fact that we have just evolved a new nonsense song of particularly poisonous nature. It is a lineal descendant of "Yes, We Have No Bananas," and is called: "The Music Goes Round and Round and Round!" Probably by now it is afflicting the British public too. But philosophical essays could be—and have been—written on the fatalistic viewpoint of the American people, which is captured in that lyric. We are, as you see, getting closer than ever to the halcyon nineteen-twenties.

The year-end statistics were of course pretty rosy. That is, if you did not object to vast governmental deficits met by borrowing, and a load of retainers on the nation's shoulders who will be thrown off with difficulty. The plain fact is that many businesses are at last making money. With the end of processing taxes, many more hope to join the parade. There are bad spots in the national economy:

too many people are on direct or indirect doles, too many have enlisted in the federal bureaucracy, agriculture has no way of taking care of the potential surpluses of a year or two hence, and quite possibly industry will again build up its own surpluses. Fundamentally, it is of course clear that the United States cannot be sound again until the world economic system is sound, and the interchange of goods and materials is established once more. But thanks to the stupendous siphoning of money out of the banks and into the public's pockets (and back into the banks again) we have a certain amount of a certain type of inflation. Thanks to the drought and to crop control we have pretty good farm prices, and excellent farm purchasing power. We also import a lot of farm products, but presumably sooner or later we will export goods to pay for those imports. Thanks to this improving purchasing power all round, industry is running fairly well.

It is a picture of apparent recovery at least, whether we are riding for a fall or not. It is hard to make up your mind quite how unsound the bases really may be. Our bankers and stock-brokers and many of our industrialists think it is all wrong, and blame Roosevelt for everything. One poor chap in New York thought about it so much that it affected his mind; he threatened the President's life and had to be put away. Plenty of others go almost as far. But they have been nearly as emotional for over two years now, and have weathered the storms, and today the Supreme Court is coming to their defense by scrapping the emergency institutions which are no longer life-belts but incumbrances now that we are in shallower water.

II. Presidential Timberyard

THE fundamental division in the country is just what it has been all along: above a certain economic level, most of the people are against Roosevelt, and below that line most of them think he is their friend. This may be a

regrettable drawing of class lines, especially in its bitternesses, but after all is it so very different from the line that separates most of the Labour party from the Conservative party? And is it not the introduction of reason and interest into politics, rather than arbitrary, confusing and almost meaningless distinctions between Republican and Democrat?

President Roosevelt is apparently confident and cheery. Those who see him twice a week for conferences notice a striking brightening since last summer. The change is evidently based on the President's conviction that the common man is with him. Many common men are, as we have seen, but politics in the United States never move altogether on these class lines. New England, for instance, although heavily industrialized, will probably vote as a bloc against Mr. Roosevelt, because of inherent sturdy conservatism in money matters and resentment against processing taxes, which seemed to penalize textiles. New York, New Jersey, and Pennsylvania, immensely important states, are now probably more adverse to the President than for him. If they go against him in the elections, he will have trouble winning. Their objections are like those of New England.

Mr. Roosevelt is still the only political target in sight, and he is beset by a powerful army of lively foes. They are thus far an irreconcilable faction of discontent, incapable of uniting on a single opposition candidate of any strength or character. The chances are that the Republican candidate will be a "dark horse," a man of no outstanding national reputation, but with fewer positive handicaps than any of the others. The decision will not be made until mid-June, and furious jockeying is going on between the eager rivals.

There are six men now in line for the Republican nomination. A survey of their personalities is revealing of the contemporary national scene. First is Herbert Hoover. The former President has been conducting a very successful speech-making campaign during the autumn and

'. He is "humanized," and has secured the services rst-class secretary, speech-doctor, and advisor. This on, one Ben Allen who formerly worked for the ated Press in London when Mr. Hoover lived there, the chap who was lacking in the Hoover secretariat , the years in the White House. He has bushy eye- , placidly smokes a pipe, and has brought to Mr. :r a hard-hitting sort of good humor which reminds ry much of Mr. Stanley Baldwin's general technique. oover has now made four major speeches, each more and penetrating than the last. At his California amid the spicy eucalyptus trees, the former Presi- communicating with lieutenants all over the country, ng assurances of support, and strengthening ties for 'esidential nomination convention in Cleveland in

Mr. Hoover has one tangible political advantage: lar leader of the party he can fairly easily get together ıre known as the "black Republican" delegates to nvention. These are representatives of the southern which almost always go Democratic, but they are dged voting members of the nominating convention. make a powerful bloc. In addition, Mr. Hoover is ıg all his old mastery of facts and statistics. Just ; as he does not have to initiate policy, and is relieved responsibilities of office—which overwhelmed and him down in a dread psychological sense—Mr. 'r is a capable, successful, and even whimsical ı being. He also understands the issues better than her Republican.

ı are the Hoover assets. His handicaps, no less sive, are the sum total of the depression years—the iscontent of the country with his administration— feeling even among many conservatives that "we want to go back to Hoover." Set off against this, er, is an equally devoted group of admirers, some m close personal associates, others who never saw [oover but formed an almost religious admiration

for him. These are the people who talk of "*dear* Mr. Hoover."

But Mr. Hoover's chief obstacle is in the formidable person of Senator William Edgar Borah, the leonine veteran from Idaho. If Mr. Hoover has the best grasp of the issues, Senator Borah is the most capable at stating them. He speaks seldom, but when he does it is with masterly eloquence, patriotic fervor, and sometimes incisive logic. Senator Borah is a grand old man of American public life, but he will be 71 when the time comes for the next President to move into the White House. And beside all his eloquence, his flashes of pre-war liberalism—of "trust-busting"—is a good deal of inconsistency and opportunism. Senator Borah is a shrewd man, and while he inspires and thrills people he does not evoke confidence. Moreover, he has voted for many New Deal measures in Congress, is very unorthodox on monetary policy, and supported the most extreme form of crop control, a legislative abortion known as the Potato Act. Idaho raises many and huge potatoes, and Senator Borah acted in his constituents' interest in favoring a law which places a quota on individual production of potatoes, with a stamp on every sack put on the market. It was an unworkable law, and the Secretary of Agriculture has refused to carry it out—a curious anomaly in American government.

Senator Borah's chief motives in entering the presidential race, it is generally felt, are first to make certain of his own re-election to the Senate, and second to block Mr. Hoover, whom he distrusts with an abiding fervor. Some think that Messrs. Borah and Hoover will checkmate each other. It may be. But it is still possible that either Mr. Hoover's ready-made bloc of convention votes, or the magnetic lure of Senator Borah, may sweep the Cleveland convention from its feet, and nominate one of them. It is possible, if not probable.

Next in the list of candidates, and likeliest of all at this

moment, is Governor Alf M. Landon of Kansas. Governor Landon is a successful oil operator, youngish, rather neat and handsome, frank and charming in his private manners, with a family of pleasing young children and a tactful wife. He has been a careful governor, has saved money for Kansas. Moreover, Kansas stands for a type of agrarian liberalism which has a homely appeal for the American people. Governor Landon is being built up as the "Kansas Coolidge," and that is a grand slogan for these fevered times. Moreover, he is keeping quiet in his state capital at Topeka, being nice to visiting newspaper correspondents and political moguls, and letting his friends spread his gospel over the countryside.

There is a great likelihood that Governor Landon will be the next Republican nominee for the Presidency. The only drawbacks are that he has never been proved to be of leader-like stature. His experience is very limited, he is not a good speech-maker, and some of his best friends used rather cruelly to say: "Alf Landon would make a good vice-president." But now they are eating their words. Daily, Governor Landon is a more reasonable candidate; amenable, uncompromised, without enemies. He strongly sympathized with the AAA—just thrown out by the Supreme Court—and has flirted with many New Deal ventures. But these dalliances may be assets rather than drawbacks. For the old-guard opponents of the New Deal cannot but vote for the Republican nominee, whoever he is, and Governor Landon's streaks of liberalism may bring some of the waverers into the fold.

Remain three lesser candidates. One of them, Colonel Frank Knox, is working very hard—too hard. His chances are already discounted because of over-eagerness. He is publisher of the *Chicago Daily News*, but that is no particular asset. His speeches and editorials do not reveal the saviour of America.

Senator Lester J. Dickinson of Iowa is a bitter and uncompromising enemy of the New Deal and of most

things liberal. If the old-guard wing of the Republican party—the powerful ring mostly of easterners—controls the Cleveland convention as it has so many in the past, it may hit upon Senator Dickinson as a midlander who should have lived in Wall Street. If the campaign is war to the finish against all things Rooseveltian, Senator Dickinson is the man to send out barrages of hot-shot invective. But it is unlikely that things will sink to that pitch. If they do, Mr. Roosevelt will probably be re-elected.

Finally, there is Senator Arthur H. Vandenberg of Michigan. Senator Vandenberg is giving the best imitation of a dark horse that is within the histrionic or zoomorphic powers of a member of the United States Senate. For nearly three years he has been mentioned as a possible candidate, but he has taken no open steps toward the goal. There is a faint aura of liberalism about Senator Vandenberg. He was perceptibly unorthodox during the Hoover period, and has favored some New Deal measures. But principally, he is an unblemished candidate—your typical dark horse. Senator Vandenberg has been in the Senate through all the depression years, and has done little constructive. He is independent, however, and looks like a proper American president—broad brow, amiable face, rimless eyeglasses, nice smile, smooth hair. He would go well on the posters, and he makes a good speech. If the Cleveland convention is deadlocked, say between Hoover and Borah, and if Landon's strength does not shape up as expected, then Senator Vandenberg is in a highly strategic position.

Only when the candidate is nominated will the real presidential campaign begin; only then can we estimate President Roosevelt's chances of re-election accurately. But meantime a picturesque army of crusaders are shivering lances on the White House door. Mr. Hoover is in their van. Beside him is his erstwhile enemy, and Mr. Roosevelt's one-time bosom ally, the "Happy Warrior,"

formidable "Al" Smith. Mr. Smith, the fine flower of New York's east side, once held the "common man" in the great urban centers of the nation in the hollow of his capable political hand. Perhaps, even now, his rasping voice and malapropisms keep their political magic. But his only recent appearance was in January at the lavish banquet board of the American Liberty League, the millionaires' organization of which he was a founder. This dinner, graced by no less than twelve members of the DuPont family of munition-makers, who largely finance the Liberty League, marked "Al" Smith's transition from the Man in the Brown Derby to the Man in the White Tie. With the brown derby, the political magic may have gone too. We cannot tell yet.

Attacking President Roosevelt are many conservative lawyers, such erstwhile Democratic leaders as John W. Davis, the urbane Ambassador to London and presidential candidate in 1924, and Bainbridge Colby, one of Mr. Wilson's secretaries of state. This group has unlimited financial resources, but across their brow is writ that political bugbear: "Wall Street".

Not so branded is another picturesque character, Governor Eugene Talmadge of Georgia. This gentleman is self-made. He was until recently the agricultural commissioner of his state, and rode into office by expert manipulation of a system of voting that is incredible in a democracy. In Georgia one vote in a hamlet in the hills is worth, by actual count, more than ten votes in the metropolis, Atlanta. Each county has a fixed number of "units," whatever its population. Therefore, by clever cultivation of the backward counties, you can get elected on a gross minority of votes. Governor Talmadge is an imitation Huey Long. He wears, and boasts of, a famous pair of red braces which were to have supplanted Huey's green silk pajamas. He has, too, a drooping forelock of hair in the best tradition of statesmanship. And he has a tongue dripping vitriol. He also completely lacks national

political sense, and will probably turn out to be li than a noisy nuisance. Today, as these words are he has nominated himself for the presidency.

The Huey Long organization in Louisiana crumble with his death, as many expected. By v many political devices invented by the late dicta mob rules still. It is a pack of little men, howev ultimate disintegration seems inevitable. Such government in the United States, reduced to its level. Viscount Bryce knew all about this; *The A Commonwealth* is a good text on Huey Long. Bı is federalism.

III. The Court and the New Deal

ONE comes thus naturally to the question Supreme Court, which threw out the Agri Adjustment Act on the ground that it contravened rights. The NRA was disposed of on very similar gr the inadequacy of the interstate commerce clause Constitution. Other ambitious ventures of the Ne seem on the same dangerous precipice.

This is no place to argue the merits of the S Court's present stand. The NRA was thrown out– mously—and people could not complain much. T was not in doubt. But the AAA went down u 6 to 3 vote. The three men in the minority were e jurists: Justices Stone, Brandeis, and Cardozo. could not question their honest interpretation of tl The same regard should be shown to the majority, al it is true that all three minority justices have had fa eminent legal careers than at least three or four majority, who were political appointees, and ma secret of their heartfelt conservative convictions.

Such closely divided decisions leave the nation ir doubt. Many eminent scholars consider that the (decision was based on political rather than judicial gr

It is perfectly evident that this was so, and it is not insulting to admit the fact. For the terms of the United States Constitution are very general; some phrases may have several interpretations; the protection of the "general welfare" is indeed a broad provision. Upon what basis, then, should a judge make up his mind if there is no legal distinction to guide him? Must not the very fundamentals of his thinking come into play, and if these fundamentals are openly, deeply, and sincerely conservative, why must he not reflect them?

All the same, the country stands by the Supreme Court. The American people have a deep, inbred respect for the Court. Abuse of its decisions was far louder in every generation in American history than it has been in the present crisis. Gutter language has been heaped on the Court so recently as the present century by eminent men. Not so today. Criticisms were couched in reasonable language; abuse was in private. It is not flippant to say that Mr. Chief Justice Hughes—he of the olympian beard—has enabled the Court to hand down inescapably "political" decisions with dignity and in shining armor.

The country stands by the Court. But it is only because the instruments now being thrown away by the Court have outlived their acute and sudden necessity. Had not NRA taken up the slack in 1933, had not AAA succeeded in cutting farm surpluses and raising farm purchasing power, and had they been in full play now, it would have been more difficult for the Court to end them. But the emergency has largely passed; it may come again, particularly on the farms, but the government will continue to send out checks for many months, prices are good, and crop surpluses do not yet overhang the market.

The issue of judicial supremacy is still with us. But without a radical overturn in our political structure, it will always be there. Much more likely is a change in the Court's personnel. Two-thirds of the judges are very old men, and one tries to be realistic but not morbid in

thinking that President Roosevelt—certainly if he is re-elected—will have the opportunity to enlarge the " liberal " minority of three to perhaps five or six.

The Court has no opportunity to overthrow our most striking, and, to many people, our most fantastic ventures. The soldiers' bonus is law over the President's veto, and by July its two thousand, four hundred and ninety-one millions of dollars will begin to pour out over the land. The United States, which has already been open-handed with its war veterans, embarks upon the greatest Santa Claus adventure in world history. Bonds or cash will go out to about 3,518,000 veterans. A total of 36,724,279 bonds of fifty dollars each are being distributed. Payment on many of these has been anticipated, so that the total cash which will start in circulation in July may be less than two thousand millions of dollars. But, whatever the equities involved in this wholesale raid on the Treasury, the burden on the government is little different from what it would be if we had to fight a medium-sized war, or built a big navy, or disbursed relief doles half the amount of those we are giving out in the present fiscal year. It is nonetheless the most extreme example of pressure-politics. The veterans, operating chiefly upon individual members of Congress in their own districts, held a terrifying whip hand.

But the major factor in enacting the Bonus Bill was Franklin D. Roosevelt, who curtly vetoed it. For President Roosevelt began the era of big spending, providing people with the argument: " Everybody's getting it; why not us ? " *Morally, Mr. Roosevelt could not stop the Bonus Bill.* His own hands were not clean, however impeccable his reasoning may have been against the Bill itself.

And—to end this letter in the same place as it started, with ordinary people—the bonus viewed from the middle-class fireside is very different from the bonus in government or fiscal theory. As the Senate passed the Bill over the President's veto, I sat in the gallery with a young

matron, a relative. Her family has been having a rocky time. The husband, a war veteran, invested his small capital in a wholesale hat business, which is almost failing. Their weekly income is pitiful. They have never taken a penny of public charity.

But what they intend to do with the bonus! First the wife is going to discharge a long-standing account at the grocer's—(there has been precious little trading at the butcher's for them lately). Then they are to pay the dentist, who needs his $45 badly. Next comes the roof of their house, sadly dilapidated. Next—they hope—will be two new easy-chairs for the living-room: the old ones are dreadfully shabby and the springs are broken out. But most important of all, they are going to buy back their life insurance, which has been in jeopardy for several years, the charges paid with hardly borrowed money. This is, I know, a Sunday-School sort of picture, but it is true. Many other veterans will blow-in their money for new motor cars, and trips to the mountains, at the races and for drink. But the money will circulate. My relative, it happens, is a moral victim of the war. His whole life was unsettled, he might have been a successful rather than a poor hatter, and his wife might have had a happier life had not his country called upon him for a sacrifice. But now that we are in an era of vast spending, now that money is being siphoned out of the banks to "prime the pump" of recovery through public works and relief and what-not, the veterans insist on their claim. It is easy to condemn them and their methods: easy, everywhere except at their fireside.

And this is true because Americans, more than most other people, have ceased to believe in the old economic laws. That is why the Townsend Plan of $200-a-month old-age pensions has amassed enormous political support. The old laws seemed to fail. The new ones don't work either. We are adrift, and will tie any sort of shirt to the mast so long as it catches a breeze. Perhaps, after the

next election, we will turn back into traditional channels. Perhaps the Supreme Court has already turned us back into them. But if it has, we have not yet quite recognized the landfall.

IV. Footnote on Neutrality

THE international public has latterly heard a good deal about our efforts to work out a war-insulating form of neutrality; that is why this letter has not expanded on the subject. The question is now in flux. Before the Congress are two very similar Bills, providing for obligatory arms and financial embargoes, and war-materials embargoes optional with the President, to be applied impartially against all belligerents. The Bills contain many confusing clauses. One, for instance, deliberately condemns the doctrine of the freedom of the seas, while another insists on our neutral rights as of August 1, 1914.

Until some definite legislative action is taken, one must reserve interpretations. But it is possible to describe the forces at work. Basically, the American people are still anxious to keep out of trouble, are determined to prevent the money-motive from getting us into war. President Roosevelt and Secretary of State Hull share these views, together with a keener appreciation of the need for discreet collaboration with the collective-action machinery. This latter motive is suspected, and distrusted, by the Senate. Moreover, a group of ultra-nationalist senators, including the old redoubtables, Hiram Johnson and William Edgar Borah, are working behind the scenes to prevent any "surrender" of American "rights". Exporters are also at work, not the least of them the cotton and oil men, realizing at last that they are being called upon to approve a self-denying ordinance. Italo-Americans are intensively lobbying. Students of world affairs, the American habitués of Geneva, object to the neutrality Bills because they close the direct door to collaboration with sanctionist States—however open the back door may be, as in an "impartial"

embargo against both Italy and Ethiopia, which would really penalize Italy. Out of these conflicting forces—which have stirred up the most salutary debating and thinking—may come at first little more than an extension of last August's arms embargo resolution. But ultimately our re-examination of our position, despite the trend toward isolation, ought to lead to clearer executive policy. It is important to realize that assertion of neutral rights—as in the last war—is primarily an executive matter. We can "wage" neutrality or we can remain neutral or we can collaborate with sanctionist Powers, provided there are any. We know the choices, and when or if European conflict breaks out, we will be a little better informed than we were in 1914.

United States of America,
February 1936.

RUDYARD KIPLING

A FEW days before the death of the Sovereign of the Empire there passed away, at the same age of seventy years, the man who in the early prime of his life had been acclaimed as its prophet and its singer.

It is too early yet to attempt to determine Rudyard Kipling's place in the history of English literature, but this at least can be affirmed, that despite any defects that can be alleged against his work—its occasional tawdriness, or its lack of self-criticism—he was a man of genius, real, fresh and vital. And to him as to other men of genius it was given to kindle his torch just when men needed its flame. There was a twilight over the literature fashionable in the London of the late 'eighties and early 'nineties of the last century. *Fin de siècle* it was called. Too much of it smelt of pessimism and decay. Into this unhealthy atmosphere came Kipling with his *Plain Tales from the Hills*, his *Life's Handicap* and the *Barrack-Room Ballads*, like a great wind from the sea; and the Green Carnation withered and the Yellow Book turned pale beneath the blast. Men looked up from his stories of private soldiers, or of district officers going strongly and silently about their unnoticed work on the sweltering plains of India, and—"strong silent men" not having yet become a jest—thought afresh, or thought for the first time, of the vastness of the responsibilities of Empire, of its burden and of its glory, of the dust and the palm. And because England was, in Kipling's phrase, "the powerhouse of the line," they thought afresh of England herself and of her mission in the world. Kipling became the inspiration in the imaginative sphere, as Joseph Chamberlain was in

the political, of the imperialism of the twenty years that followed his first appearance in the great world. Those twenty years were no unworthy period of British history.

Looking at Kipling purely from the literary point of view, the critic might hazard the conjecture that if any of his work is destined for immortality it is his prose rather than his verse. Confident prediction on such a point would be dangerous indeed; for it is given to no man to know of the gems fashioned by a contemporary craftsman whether they are jewels such as will

> " on the stretch'd forefinger of all Time
> Sparkle for ever ".

Yet it may surely be claimed for Kipling that he ranks with R. L. Stevenson as one of the greatest masters of the English short story. His technique is all his own. His style is *staccato*, vivid, vigorous, pulsing with life. His range is immense, from Private Mulvaney to the technical details of machinery, which become in his hands a living thing, as in "The Ship that Found Herself"; from the beasts of the Indian jungle through all the ages of British history to the English countryside and the imaginative beauty of " They " and " The Brushwood Boy ". And his short stories are told from pure love of the subject-matter, from the sheer love of the telling. Although they have powerfully influenced men's thoughts, they are not didactic. Hardly ever, though " The Mother Hive " in *Actions and Reactions* might be cited as an instance to the contrary, are they tracts for the times; and, as with all art, the lessons they have to teach are the more lasting for that.

The same literary claims could hardly be made for Kipling's poetry. He was at his best an admirable verse writer, a brilliant epigrammatist. His line, " What should they know of England who only England know ? ", hackneyed as it is, may serve as an illustration. Much of his verse has a fine heroic ring; he has moved the hearts of

men; he is powerful in invective, witty in satire, always eloquent; and at times he reaches real lyric beauty, as in

"There's a whisper down the field where the year has
shot her yield,
And the ricks stand grey to the sun,
Singing: 'over then, ease over, for the bee has quit the
clover
And your English summer's done'."

Or in

"Cities and Thrones and Powers
Stand in Time's eye,
Almost as long as flowers,
Which daily die."

But his lack of the critical faculty sometimes allows him to let a thoroughly bad line stand next to a brilliant one; and whereas we do not scruple to rank his short stories with the best in the language even the very best of his verse could not bear comparison with the great things of Wordsworth or Keats.

Moreover—and this perhaps matters more—if there was in his imperialism anything that was blatant, anything that might offend the sensitive by an appearance of exultation in mere power as such, it was in his verse, not in his prose, that it showed itself. His verse, unlike his prose, is sometimes didactic, written for a purpose—witness, for example, "The Islanders." When he assumes the rôle of the super-journalist or political pamphleteer, verse, not prose, is his medium; and because his vigour was little calculated to conciliate an opponent it was often possible to foretell, from an acquaintance with a critic's political opinions, what would be his judgment of the literary merits of a poem by Kipling. So it was that while to a multitude of plain men, and not to them only, he was the unofficial Laureate of the Empire, to John X. Merriman at the

Cape, an old Liberal of the Gladstonian school, he was "a rowdy Tyrtæus".

In itself his political philosophy was, as he was, robust and manly. *His call was to service, to effort, to sacrifice for a worthy end; and, to him, no end was worthier than that of the unselfish government of primitive peoples. Certainly he preferred good government to self-government.* He is not, indeed, always consistent. In "Kitchener's School" he writes with approval of the stage that is reached when peoples once subject are able to

> "Make laws of their own choice and Judges of their own blood;
> And all the mad English obey the Judges and say that the Law is good."

But there is a more authentic ring about the lines

> "Take up the white man's burden—
> Ye dare not stoop to less—
> Nor call too loud on Freedom
> To cloak your weariness."

And in post-war years Kipling may have felt that there was danger lest that warning be disregarded. But Kipling's work was done. What there was of dross in the earlier imperialism was purged from it by fire, and the ultimate doctrine remained, that the essence and justification of empire are duty and service, and that the highest possible service is rendered to the world by a ruling race, their duty is most fully done, when, as Kipling said, they

> "Show all peoples their magic and ask no price in return."

And that magic is training for self-government and its eventual realisation—by peoples really fit for it.

Kipling mellowed in later life, like other men. For all

his far-flung patriotism the core of his devotion, as that of every patriot must be, was to his own home.

> " God gives all men all earth to love,
>   But since man's heart is small,
> Ordained for each one spot should prove
>   Belovèd over all."

Let us now praise him among our famous men; for he was of " such as found out musical tunes, and recited verses in writing."

AN INDIAN MISCELLANY

I. Echoes from Abyssinia.

INDIAN interest in Abyssinia has continued to be keen, and few British adventures in policy can have given better opportunity for mordant comment than the Hoare–Laval peace terms of December. The general opinion here was that the arrangement of these terms was statesmanship at its nadir, inasmuch as they were at once discreditable and foolish; while a statesman may be occasionally one or the other, he should never be both at the same moment. The Indian press, with our leading Anglo-Indian newspaper, the *Statesman*, in the van, took a serious view of the proposals, and the *Statesman* from the first regarded them as involving inevitably Sir Samuel Hoare's position at the Foreign Office. His resignation provided abundant scope for press comment out here, a favourite line among nationalist papers being that the late Foreign Secretary had taken on a self-sufficient tinge as the inevitable result of his years of too little controlled sway at the India Office, and that his fall was due to a failure to realise the difference between matters on which the British people has views and passions and those on which it has not, that is of course to say, Indian affairs generally.

The proposals dealt a severe blow to British credit in India, and the general feeling is one of resentment at what is regarded as an almost intolerable cynicism. Here and there comes a recognition of the fact that conditions of administration and government in Abyssinia leave much to be desired, and that resentment at Italian *zabardasti* should not be allowed to obscure the truth that the Abyssinian system is anachronistic and oppressive. The view of the

general public, however, is fixed on the fact that the proposals would give to the aggressor most of what he had committed his aggression to gain. In other words, the judgment is by morals, not expediency, and issues taken to this touchstone do not readily admit any other adjudication. It is difficult not to feel that the Hoare–Laval conversations were entered into too lightly, without sufficient regard for the susceptibilities of such elements in the Empire as India. From one point of view the old issue has been brought up again, whether in foreign affairs of this scope the British Foreign Office should operate alone.

II. Fifty Years of Congress

ON December 28 the Indian National Congress completed fifty years of life. This half-century has coincided with the development of an Indian as distinct from a regional or linguistic self-consciousness; and those who dislike or condemn the Congress and its works forget too readily that the organisation with all its faults has been primarily an expression rather than a purpose. A distinguished English historian has recently found in the continuance of the Westminster Parliament and its faculties of discussion, criticism, complaint, even under the more rigid and unrepresentative Administrations in the United Kingdom, the real reason why periods of depression, unemployment, hardship and excitement in the past century and a half have passed off without even an approach to civil war, or indeed anything but minor *émeutes*. The British people ought then to be grateful to the Congress; for during its fifty years it has provided just such a safety-valve, far more limited, no doubt, at least till after the Great War, but performing always that invaluable function.

The British are apt to pride themselves on not being logical, a misdirected conceit that arouses frequent exasperation among such peoples as the French; this exasperation is not unreasonable, for if we wish to pride ourselves on not

being logical we should not be surprised or resentful if the application of empirical methods towards peoples who do proceed by reasoning brings difficulty and trouble. The British introduced English education into India, and all the brighter intelligences were set to work reading the gospels of British political liberty, from which it would seem the most obvious consequence that these gospels should proceed at once to an Indian translation. Few things have more vexed the thoughtful Indian politician than this action of deliberately exporting British political theory and yet apparently marking it "not for consumption in India". If the Congress is regarded primarily as an expression and only secondarily as a purpose, a better idea will be gained of its true place in the life of India. One does not sit on safety-valves, but at times British Governments have come perilously near doing so.

The fifty years of Congress activity could be fairly separated along the line 1920. During the first of these periods the Congress was essentially a critical but a constitutional and co-operating body. Some attribute the post-1920 developments to a single source, Mr. Gandhi; but while his influence has been profound in both tenets and methods he has been rather the channel that carries and guides than the actual stream itself. That stream was the war. It is true to say that if Great Britain has had a multiplicity of troubles in India since 1920 she has made them herself, or at least shares with the rest of Europe the credit or blame. The spectacle of Christian and civilised nations, hitherto respected without question as the leaders of the world in every zone of human effort, slaughtering each other in a wild and useless abandon, tore the veils from other eyes than those of their own more thoughtful inhabitants. Where respect goes, affection cannot linger. Seen from this angle, the development of the Congress towards distrust, opposition, independence and violence signifies a moral as well as a political repulsion. If the Congress methods of propaganda and mass intimidation

are condemned, it should be borne in *mind that the principle of peaceful persuasion*, cast overboard so ruthlessly in Europe in 1914–18, should not be expected afterwards to function inviolate in India—or elsewhere; *the world is too small now for that. Europe is in a glasshouse;* unless it *improves its manners*, the stones it throws will injure itself far more than its neighbours.

III. Liberals and the New Constitution

CHRISTMAS time in India is conference time, and the interval from Christmas to New Year always sees one or other prominent town in the country housing a meeting of Congress, or the Liberal Federation, or the Women's Conference and so on. (Congress, however, is showing a tendency to abandon the hitherto favoured season.) The Liberal Federation's assembly took place this year at Nagpur, under the presidency of Mr. Venkatarama Sastri. In the course of an interesting address Mr. Sastri was at pains to indicate the extent to which the Liberals are ready, indeed willing, to march alongside Congressmen in their national activities.

> We are colleagues in effort and brethren in service, and we gladly extend to them our hearty felicitations and good wishes, in the full trust that, moving along different paths where we must, and treading the same paths together when we may, we shall one day achieve the freedom and the glory of our own Motherland.

A Congress daily of Delhi interprets this statement to mean that the time has come when the old Liberal creed of co-operation with Government wherever possible and opposition when necessary should be reversed to opposition wherever possible and co-operation when necessary. Although the wish perhaps was father to the thought, the belief is not without justification, and there was much in the Liberal President's speech to indicate a certain weariness, if not despair, at the years of disregard that have accompanied the Liberal endeavour to be different. It has

always been the British practice to take their friends for granted and try to conciliate their enemies. It is not a policy that tends to the popularity of the British people or their Governments, and is perhaps less likely to succeed in India than anywhere else; for a country of realists will never be under any illusions as to motives.

Mr. Sastri's speech indicated some regret that the Government of India Act was ever passed. We could, he said, have gained all that the Act gives us through modification of the Montagu–Chelmsford constitution by rules under the 1919 Act; that this did not ensue was due to Congress intransigence. Thus India had waited eleven years for something at once more rigid and in itself objectionable. He interprets the retention of the 1919 preamble, about which so much was said—rather unconvincingly—by the Secretary of State and others, as in effect meaningless and as a promise worthless. The preamble referred to the centre and the provinces and to British India only; its retention, therefore, is inadequate to assure Dominion status to federated India.

> On the other hand, as I understand the Act, it denies Dominion status to India. It has erected, as far as the combined ingenuity of lawyers and parliamentary draftsmen can erect, barricades against full Dominion status ever being reached.

Another point of grievance was that while Indian States come into the federation their residuary sovereignty remains wholly outside it and outside the control of the Governor-General. " At no point of time, even after the federal government has become fully responsible, can the Indian States come fully into the federation ".

Other criticisms of the Act, familiar from comments in past months, were repeated with little that was new. The safeguards, which to Indian political opinion are the most painful feature of the Act, came in for specific condemnation, particularly the fiscal and commercial safeguards. " No safeguard is so sinister-looking as these, and no part of the Act is conceived in such contemptuous disdain for Indian

interest and Indian self-respect. . . ." Mr. Sastri summed up by saying that power is not relinquished and the old instrument of control will remain, the Secretary of State operating through the Governor-General and Governors and services, protected with special care and empowered to thwart the action of the Ministers.

He came then to the real point of his speech. "What then must we do?" His answer was unequivocal and showed both a grasp of realities and a capacity for clear statement. "*If you do not work the Act, the Act does not thereby become unworkable*". This is a view that had been expressed already, but not hitherto in such circumstances or by the President of an All-India political body. He pointed out that though Congress and other parties might refuse to work the reforms there would always be a residue who would, and that what must be avoided at all costs was letting the new governments fall into the hands of these acquiescents. Here, in fact, he gives public recognition to what has been the conviction of all those who have studied the political situation from outside: whatever the dislike of the Act, whatever the resentment against administrative policies or conditions imposed, *no political party in* India is prepared to stand aside and see its rivals step in to seize the booty of power and privilege. The Act will be worked, but almost certainly not in the way that its framers in the British Parliament expected or hoped when they passed it. It is a wise father who knows his own child, and some of the developments of this Act will cause more than surprise to its British progenitors.

IV. The Services Problem

GENERAL attention has perhaps been attracted more towards the Delimitation Committee than towards the other committees perambulating or about to perambulate India, although it must be said that interest in any such bodies is rather languid now—there have been too many of

them in recent years. The delimitation enquiry, however, is at best only a matter of detail, and it seems more than doubtful whether it was really necessary to send out this body from the United Kingdom at all. The essential matters of principle in the electoral scheme were settled long ago, namely, general *versus* separate electorates, allocation of seats to communities, the size of the legislatures and the level and scope of the franchise.

As for the Niemeyer enquiry into the financial aspects of federation, the general problems arising in connection with it are so wide that they would provide material for a book or books in themselves. Another committee much less heralded than these is that under the chairmanship of Sir Henry Wheeler, which came out to investigate the central secretariat system in India. If one remembers that India has been ruled by a bureaucracy for many years, and that the key posts in that bureaucracy have always been held by members of an all-India service who belong in the first place only to provinces and not to the central government, it becomes clear that any decision to create a self-contained central secretariat would mean a complete departure from the present practice. Practically every member of the Indian Civil Service serving with the Government of India has his permanent affiliation with a province, which spares his services for shorter or longer periods to the central government. Thus the higher posts in the Government of India secretariat are all held by men with provincial experience and affiliations. Normally all provinces are represented, though there is no rigid allocation; hence a direct provincial connection is retained. If the Government of India secretariat were to become a " closed system ", this contact would be lessened and there would emerge a bureaucracy scarcely less remote than that of Whitehall.

Since provincial autonomy is at hand in the provinces, the chief justification for all-India services at all will shortly become the fact that they meet the all-India needs of the centre. If the central system is closed, then the all-India

aspect of the services recruited for the provinces disappears, and there will soon arise in a pronounced form that "problem of the services" of which so much has been heard in recent years. The conditions in the central secretariat could not be considered apart from the whole question of these all-India services, certainly of the I.C.S. There have already been sufficient complaints, some of them not without justification, of the detachment of the Delhi–Simla bureaucracy from the real problems of India. The Government of India Act contemplates the continuance, during the transitional period, of government by the Governor-General in Council under the terms of the present Act. At present, therefore, the government is to a large extent irresponsible, and it would seem inadvisable on general principles to entrust the last word to the deliberations of a secretarial caucus. When power is transferred to the federation, the secretariat must inevitably become less of a governmental and more of a purely administrative machine.

One specially interesting point that has been raised is that the States have a claim for representation in the central secretariat even now, and will have a still better claim in the future. This is a development which must indeed be recognised as inevitable. So long as India was a free-trade country with a negligible import tariff, the administration at Delhi–Simla did not really affect the States. With the building of a high tariff wall, this position has been entirely altered. When the central government, advised by its secretariat, considers such matters as the height of the customs wall and the openings in it, those affected naturally demand a say. One of the chief compelling agencies towards federation, or at least the association of the States with British India in a common government, is the pinch on the pocket. It may be that the true begetters of federation are not Mr. Ramsay MacDonald, Sir Samuel Hoare or the other leading figures at the Round Table Conferences, but the first post-war executive Government in

India, which in the face of mounting deficits and cries for protection laid the first courses of India's present tariff wall.

The services problem has always suffered, particularly in recent years, from its too great popularity in the United Kingdom, and from the too common habit of discussing it in isolation from the problems of India, present and future. The commitments and promises in regard to the services could be charged with the same fault as the safeguards and other elements of the Government of India Act, namely, an excessive rigidity and a too obvious external aim. In both cases, but particularly in that of the services, reasonable assurances could surely have been given in a less provocative form. As it is, detachment and breadth of view are hardly ever to be found on either side in present-day discussions, though in a country with a tradition of authoritative administration stretching back through centuries the choice, remuneration and treatment of public servants are of peculiar importance. Here, as at so many other points, there enters the element of status. India, the argument runs, left alone to arrange the terms of those who are to serve her and whom she will pay, would give every man and every claim their due. India, however, in face of an apparently indefinite flow of agents thrust upon her from London on terms dictated from the same place, regards these men's presence as another slight on her nationhood, with the inevitable result that the problem is no longer judged on its merits.

V. Communal Friction in the Punjab

THE Punjab has been considerably agitated of late by what is known as the Shahidganj trouble. This reflects Moslem irritation at the Sikhs' retention of a former mosque, and a refusal, not uncommon in India, to admit that legal pronouncements on title and prescription have any bearing where religious edifices are concerned. The crisis came in September in Lahore, when a party of

Sikhs actually pulled down the building in question, and for some time afterwards Lahore was more or less an armed camp. Since then there have been recurrences of trouble, and indications are not wanting of the hand of the agitator or the *agent-provocateur*. The better elements on both sides have recognised the undesirability of a white-hot communal feud on this issue, but the trouble-fomenters, so common in India, have hitherto been able to keep the embers smouldering.

Nothing can excuse the original action of the Sikhs who pulled down the mosque. In the circumstances in which it was done it was an act of wanton folly and malice, and it is one of the penalties of human existence that we—and others with us—pay for our follies as dearly as for our villainies, if not still more dearly. The local Government took a serious view of the matter from the first, and it is thanks to this and to the support that its measures have received from the better elements that Lahore has seen no shambles.

The dispute is not only religious; nor are the passions that inflamed the Moslem mobs traceable only to this source. These Shahidganj disturbances are in reality one expression of the hopes and fears aroused by the impending reforms. The Communal Decision was the inevitable cutting of a Gordian knot, but like all such measures it could not fail to leave unresolved problems behind. The 51 per cent. majority in the future Punjab legislature secured for the Moslems by the Communal Decision causes the Sikhs and Hindus in the Punjab to feel that they are entering the new régime under a handicap; while the Moslems feel that they are about to enter upon a heritage. Recrimination has long been active and its consequences are visible now. Such manifestations of communal friction may be even more serious in future than they have been in the past. Given the conditions in the Punjab, however, this, like the teething of a child, is a first stage through which any province must pass, and much will depend on how authority handles the position, now and even more so in the first years of the new

régime. Hence the selection of first-class men as Governors, at the outset and during the early years, is a matter of the very greatest importance.

VI. A Harijan Revolt?

ONE of the most striking incidents of recent months was Dr. Ambedkar's declaration that the promises of amelioration made by Hindus to the depressed classes had not been fulfilled, and that these classes would now look round for some more kindly environment. He himself would not die a Hindu. The effect of a wholesale shift of allegiance by the depressed classes to some non-Hindu community aroused both consternation and hopes, and offers were made on behalf of Sikh and Moslem organisations promising concessions and equality to depressed class recruits.

It is doubtful, however, how far Dr. Ambedkar could bind his fellows in a matter of this sort. The depressed classes are and feel themselves still Hindus, despite their unfortunate position in the Hindu community; and the suspicion that personal resentments enter into this as into many other of Dr. Ambedkar's pronouncements is probably well justified. It would not be unjust to say that Dr. Ambedkar's attitude could be described as anti-Gandhi rather than pro-depressed class. The differences between the two leaders, which go back several years now, were last prominently illustrated at the time of the famous fast, when the depressed classes leader made skilful use of the emotional disturbance among Hindus to secure a much-extended representation for his community in the future legislative Houses. Emotion, soon and steadily regretted, led to the Hindu pressure for approval of the famous Poona Pact. Lack of emotion, or its control by interest, enabled Dr. Ambedkar to drive the hard bargain that the Pact represents.

Dr. Ambedkar's present *démarche* gives the cynical observer occasion for some comment; for the whole

circumstance vividly illustrates the singularly unreligious atmosphere of Indian religious controversy. In essence this is at once a social quarrel and a political opportunity, and as such it is regarded by Moslems and Sikhs and the wiser Hindus. Whether the depressed classes will be wise to abandon Hinduism is another matter, and it may indeed be doubted whether the large extension of representation secured through the Poona Pact will really be to their benefit. For unless representatives are active, sincere and united, mere numbers in a matter of this kind have less importance or value than is generally attributed to them. One of the great dangers that the depressed class cause will run is that its interests may be neglected or sold by incompetent or venal representatives. The application of the panel procedure is of particular interest, and on no point will the recommendations of Sir Laurie Hammond's committee be more anxiously awaited. It is not too much to say that the panel procedure is as capable of destroying as of creating the effective and powerful depressed class *bloc* it was meant to produce in the legislatures of the new era.

VII. King George's Death

NEWS of His Majesty's death came after the above had been written. India retains much of her faculty of reverence for the person of the monarch, as distinct from the authority of his Government, and there is a widespread and genuine regret at the passing of one whose great qualities have become more and more appreciated in recent years. India looks back on the crowded twenty-five years of his reign, remembers the succession of storms and difficulties, and realises how true a course King George steered on a compass bearing that pointed ever to duty.

References in Indian journals have been sincere and impressive. It would have been easy to emphasise a distinction between the monarch and his Government, and to use a lament for the passing of one to deplore the

continuance of the other; it is to the credit of the Indian press that the temptation was so generally resisted. No one could have failed to be impressed, for example, by the restraint and dignity of the usually outspoken *Amrita Bazar Patrika*, which in a finely expressed tribute declared: "For good or evil England and India are bound together; one of the strongest links in the chain which binds them together is undoubtedly the Throne". British statesmen and citizens could well fasten on these words as a motto to keep ever in mind in the difficult times before them.

India,
January 1936.

MR. DE VALERA'S FIFTH YEAR

I. The Death of King George

IN conveying the sincere sympathy of his Government to Her Majesty the Queen on the lamented death of King George the Fifth, Mr. de Valera was the spokesman also of the great majority of the Irish people. The death of no other British monarch has been so mourned in Ireland, and this is one of the best tributes to his memory. Although he visited Ireland only twice during his reign, and although his position precluded him from publicly expressing his feelings about Ireland, the wireless made his voice and personality familiar, and the Irish people cannot forget that on two occasions, at least, he publicly intervened to try to improve Anglo-Irish relations; once on the occasion of the Buckingham Palace Conference, just before the outbreak of war in 1914, and afterwards when he opened the Northern Ireland Parliament at Belfast in 1921. It was on this last occasion that, on his own initiative, he appealed to all Irishmen to pause, to stretch out the hand of forbearance and conciliation, to forgive and forget, and to join in making for the land they loved a new era of peace, contentment, and goodwill. It was then, also, that he reminded us that the future lay in the hands of the Irish people themselves, and expressed the hope that the opening of the Northern Parliament might be the prelude of a day in which the Irish people, North and South, under one parliament or two, as those parliaments might themselves decide, should work together in common love for Ireland upon the foundation of mutual justice and respect. Those memorable words coincided with the end of the Black and Tan terror, and were followed by the

Treaty of 1921. If their full fruition was, unfortunately, denied to King George, through no fault of his own, one can only hope and pray that their harvest may, perhaps, in the fullness of time, be gathered by his successor.

II. The Government's Evolution

MR. DE VALERA'S Government are now entering on their fifth year of office, and, since the normal life in office of an Irish political leader is usually ten years, he, and they, are probably at the height of their power. Their achievements to date are by no means negligible. They promised in 1932 that, if returned to power, they would abolish the oath of allegiance, withhold the land annuities, and reduce taxation. The first two objects were comparatively easy to achieve; the third proved impossible. Direct taxation has, in fact, increased since 1932 by £6,000,000, and indirect taxation by more than half that sum. Moreover, the abolition of the oath of allegiance did not placate the extreme republicans, and needlessly embittered our relations with Great Britain; while the withheld land annuities have been more than fully paid through the penal duties imposed on Irish agricultural produce by the British Government. The net result of their action has been, in fact, to deprive the Free State in four years of national income sufficient to pay the land annuities in full for nearly twenty years. On the other hand, the constructive side of their policy has included a bold, and very necessary, housing programme; an intense, if somewhat rash, industrial development, buttressed by the restriction of imports and increased credit facilities; and several measures of social reform, designed to improve the general standard of our national life.

But perhaps the most beneficial result of their administration is that they themselves are slowly but surely gaining a sense of responsibility. Experience of the problems and difficulties of government is teaching them to eschew wild

talk, and to hasten slowly. We are apt to forget that although we have an ultra-modern democratic constitution, which we are gradually pruning, we have also a shorter experience of national responsibility than any other people in western Europe; for we have enjoyed local government only since 1898, and self-government since 1922. Democratic rule in the Free State was also challenged in its cradle, not only by mob violence, but also by organised military force, and both were defeated. We must, therefore, be patient, even if it takes another decade of self-government to teach us common sense. Mr. Sean MacEntee, the Minister for Finance, has recently, when speaking in the Dail, admitted in unconditional terms that Mr. Cosgrave's Government established the principle of majority rule in the Free State, and he added that the present Government intended to preserve it. Such a confession is eloquent. That the Government are in earnest in this matter is proved by Mr. de Valera's recent refusal to revoke the order made by his Government in 1933 bringing into force Article 2a of the Constitution, better known as the Public Safety Act,* under which the Military Tribunal operates; because, although there had been, he said, a decided improvement in the situation in recent months, organised crimes of violence were still occurring with which the ordinary courts could not deal effectively. This last statement is, unfortunately, only too true, as recent events have proved.

The annual congress of the Fianna Fail party, which was held during December in Dublin, provided additional proof of the Government's growing sense of reality and responsibility, and even of their followers' return to common sense. The resolutions for discussion were not as absurd or extreme as in former years, and the Ministers showed both courage and good sense in dealing with the demands put forward. This was particularly noticeable during the discussions on ground rents and banking. Mr.

* See The Round Table, No. 85, December 1931, p. 142.

MacEntee, the Minister for Finance, told the delegates, in reply to a demand for sweeping reductions of urban ground rents, that these, unlike agricultural rents, could not be reduced or confiscated, and also that some of the wild talk he heard about the banks only displayed the ignorance of the critics.

Mr. de Valera himself, in a long and not very lucid speech, although making his usual claims for the Government's achievements, was careful to raise no false hopes about the future. Their fundamental aim, he said, was to try to secure that the people of Ireland would be a united state, and have the freedom that the majority of them desired in republican form; but, he added, they should not be in too great a hurry about it, and, by some strange inverted process of reasoning, he cited John Redmond, most moderate and reasonable of Irish statesmen, as an example of the mistake of trying to reap at once the harvest of centuries. In short, he suggested discreetly to his followers that for the moment, at all events, they must mark time, and be content to view the promised land of an all-Ireland republic from a distance. He added that, whilst the I.R.A. and other extreme republicans had every right to criticise the Government and put their policy before the people, they had no right to resort to arms. By a judicious combination of pensions, government jobs, and repression, he has silenced many of the leaders of this organisation, and crippled the remainder by methods no one else could have used. This is by no means his least important achievement. But he continues, unfortunately, to ignore the fact that the existence of Northern Ireland makes an all-Ireland republic impossible, even if desirable, and he either is incapable of settling the quarrel he has provoked with Great Britain, or does not want to do so. The proper aim of an Irish statesman is to make harmony out of ancient discords, and if Mr. de Valera could, even now, turn his hand to this work, rather than to the creation of new difficulties, he might achieve greatness.

The prompt conversion of the balance of the First National Loan, which amounted to £7,000,000, into a new 4 per cent. stock, maturing in 1950–70—an operation which all parties combined to make successful—the success of recent municipal issues, and the ready market for industrial development flotations, prove that there is an increasing demand for the right kind of national securities, and that the Government's evolution towards a sense of responsibility is bearing fruit. That demand will certainly continue and develop if we maintain a sound national financial policy based on the realities of our economic position. Another example of the Government's return to saner counsels is afforded by the recently introduced Insurance Bill. This Bill, which has been in a state of incubation for some time, was expected to make it impossible for English insurance companies to carry on business here. In fact it has proved to be a very mild measure, which provides for state regulation of the insurance business under licence, and for deposits in the courts as security for each class of business done. Its requirements will probably be more onerous for the small Irish companies than for their English competitors. It also proposes that a re-insurance company shall be established under official auspices, through which all re-insurance business in the Free State must be done. The state will guarantee the business accepted by this company for the first ten years. If not carefully managed, this part of the Bill may easily prove a double-edged sword.

III. The End of the Senate

THE Senate is departing its political life in a blaze of glory. On December 12 the Dail, on Mr. de Valera's motion, sent the Bill for the abolition of the Senate back to that House, a period of eighteen months having elapsed since its rejection.* The debate, apart from an impassioned

* See The Round Table, No. 96, September 1934, p. 829 *et seq.*

otest by Professor Thrift, one of the deputies for Trinity ›llege, was a dull affair. The arguments were largely a ɔetition of those used in the former debates on this sub- :t. Mr. MacDermot seemed to get nearest the truth ıen he said that, whilst a second chamber was not a real eguard *against tyranny, it would be valuable if we could* re an assembly not directly elected where questions uld be approached from a non-party angle. Professor rift, speaking for the minority, claimed that a second mber prevented the great and sudden changes that :n took place on the election of a new Government, suggested that the present Government might even- ly find such a body useful in saving their own work n destruction. But these arguments and appeals had effect on Mr. de Valera, who had definitely made up mind to destroy the Senate in retaliation for thwarting designs. He confessed, in closing the debate, that if deal Senate were to be had he would vote for it, but did not explain how anything ideal is to be found in imperfect world. He had satisfied himself, he said, a second chamber was not essential, but if anyone ld suggest a form of second chamber that would neither a barrier to progress nor a replica of the Dail would keep an open mind. In his view, the only pose now discharged by the Senate was to make a eral review of legislation, and this could be done in ıre by having a further stage after the report stage of ill in the Dail, during which it could be reviewed as a ɔle.

ɪefore its end, however, the Senate managed to give Government considerable trouble and annoyance in nection with the Land Purchase (Guarantee Fund) Bill. : Land Purchase Guarantee Fund was established in ɪ in order to guarantee the payment of the land annuities the tenant purchasers, and to enable the British Govern- ıt to deduct from grants in aid of local taxation any ɜars of land annuities due, thus making the ratepayers

in each county responsible for any default on land annuity payments by the tenant purchasers in their district. This provision, intended to safeguard the service of land purchase finance, has now no meaning, as the moiety of the annuities still collected is paid into the Free State exchequer and not to the Land Purchase Fund. Acting on legal advice, the county councils of Cork and Louth instituted legal proceedings, seeking a declaration from the courts that the Government had no longer a right to make deductions from the local taxation grants in order to satisfy arrears of the annuities. Before the litigation was decided, however, the Government introduced the Bill already referred to, which was retrospective in application and so validated the Government's past action, rendering futile the legal proceedings taken by the county councils. The Government was, in fact, in a very awkward predicament; for so large are the arrears in several counties that, if the ratepayers could not be made responsible, their failure to pay might seriously affect the next budget.

So strong was the resentment at the Government's action that the Labour party actually summoned up enough courage to vote against the Bill on the second reading, and the Government majority fell to four. When, after a series of stormy debates, the Bill finally passed through the Dail, it was certified by the Speaker as a money Bill, which meant that, under the Constitution, the Senate could not reject it, but could only make recommendations to the Dail for its amendment. The Speaker's decision was promptly challenged under Article 35 of the Constitution by two-fifths of the members of the Dail, on a petition, requesting that the question whether it was a money Bill or not should be referred to the Committee of Privileges. This Committee, which consisted of three Government deputies elected by the Dail and three Opposition deputies elected by the Senate, together with the Chief Justice, as required by the Constitution, subsequently met, and, by the vote of the Chief Justice, decided that it was a money Bill. It

then went to the Senate, which proceeded to exercise its only remaining power by passing, on the casting vote of the Chairman, three recommendations, which, if they had become law, would have deprived the Bill of its retrospective provisions; in that case, if the Courts had decided against the Government, the existing arrears of annuities would have become a charge on the national exchequer and not on the ratepayers. Realising that the Dail would have to be re-convened to discuss and reject these recommendations, a process involving further discussion and delay, the Government party in the Senate conceived the brilliant idea—worthy rather of town councillors than of legislators—of saving all further trouble by rejecting the Bill altogether. This they accordingly did, believing it would thus automatically become law. But this rather silly performance was of no avail, because the legal advisers of the Government, who have learnt caution by experience, wisely decided not to risk further legal proceedings by ignoring the Senate's recommendations; for, while that House had power to make recommendations, it had no power to reject a money Bill. So the comedy ended with the Dail meeting again to reject what may, perhaps, be described as the Senate's last will and testament. If Mr. de Valera had the last word, they had managed to give him a last kick, and not an altogether unpopular one.

When the Bill for its abolition came before the Senate, on January 15, Senator Douglas moved a motion declaring that the Senate was willing to pass the Bill if an amendment was inserted to prevent it from coming into force until the Dail had passed a Bill substituting a new second chamber for the present Senate; and the motion suggested a conference between the two Houses to consider this proposal. Mr. de Valera did not attend the debate, ostensibly because a permanent official, who, in his absence, was taking notes of the debate for the President's use, was not permitted to remain on the floor of the House—a privilége accorded only to officials in attendance on a

Minister. The motion was carried by thirty votes to twenty, and the Senate adjourned *sine die*. At any time after February 11 the Dail can pass a resolution ending the Senate's existence, but whether it will do so is not clear, because the Government have given notice that they will send the Bill for abolishing university representation back to the Senate; if this is done, the life of that body may be extended until some time in April. When its destruction finally takes place we shall be the only Dominion governed by a single chamber, and the only country in the world claiming to adhere to the principles of democratic government in which a simple majority in one chamber has unlimited power to alter the constitution. Every other country with a unicameral government has stringent restrictions on the power of the legislature. The government of the Free State will then consist of the King and the Dail, and probably it will not be long before a President is substituted for the first of these elements, or the position of Governor-General abolished.

IV. The Coal–Cattle Pact

WHEN the coal–cattle pact* was concluded between the British and Free State Governments, in January 1935, it was stated by Mr. de Valera that opportunities for further similar understandings would, no doubt, present themselves from time to time, and would probably be taken advantage of by both sides in the same spirit. The agreement announced on February 17, renewing the pact and generally relaxing the "economic war" measures, happened too late for more than brief mention here. The termination of the original pact, which was only for one year, and the absolute necessity for disposing of our surplus cattle, had made it imperative to re-open the question, and negotiations were begun at the end of last year between officials of the

* See The Round Table, No. 98, March 1935, p. 369.

two Governments. On December 30 the Free State Government announced that, pending the conclusion of these discussions, they had made an order appointing 3,114,000 tons of coal as the import quota for twelve months from February 1, 1936, or 199,000 tons more than last year, of which 3,113,000 tons are to be imported from Great Britain.

This announcement was at once criticised by the Opposition, on the ground that it disclosed the concessions that the Free State Government was prepared to make before the pact had been renewed. Mr. Cosgrave, in the course of a lively controversy with Mr. de Valera's paper, the *Irish Press*, pointed out that the longer the delay in negotiating a complete settlement with Great Britain the greater would be the damage, not only to our agriculture, but, in the long run, to our secondary industries as well. At the present moment we were, he claimed, making a war which was not a war at all, and a peace which was fragmentary, and which had given substantial advantages to the British, our alleged enemy, and almost none to our own people. Mr. Cosgrave suggests that the dispute over the annuities should be settled on the basis of our ability to pay, and that our agricultural produce should be given a free entry to the British market, in return for some corresponding concessions to British industrial imports here. Such concessions would naturally be circumscribed, as the Opposition is pledged to support the existing industrial tariffs, but even so there is scope for negotiation.

There can be no dispute, however, concerning the beneficial effects of the coal-cattle pact, as far as the Free State cattle trade is concerned. In the first eleven months of 1935 our live cattle exports increased in value by £1,037,450 compared with the previous year. Moreover, our cattle exports for the first two months of 1935, before the pact began to operate, were lower than those for the corresponding months in 1934, which proves that it arrested a further drop in our cattle exports which would

have had disastrous results. The Irish coal consumers rightly complained, however, that they had still to pay the penal tax of five shillings a ton on British coal and that the British coal exporter had taken advantage of the position to charge a higher price for inferior coal. The public outcry became so great that on January 22 the Government announced the withdrawal of the tax on British coal, on account of the increase in coal prices in Great Britain.

As has been recently pointed out,* the Free State has nearly 12,000,000 acres of good arable land, with a population of only three million to feed, and since the produce of 2,500,000 acres of tillage will certainly keep our flour-mills, our sugar factories, our breweries, and even our projected alcohol factories fully supplied we must contrive some profitable use for about 9,000,000 acres of pasture and hay, and at least 500,000 acres of root crops fit only for animal consumption. Our cattle export trade is, therefore, vitally necessary to our economic life, and must remain so.

Unfortunately, there seems to be no material change in our relations with Great Britain. The usual rumours of negotiations, some of the most fantastic kind, persist, and are denied in official circles. Ireland was not even mentioned during the British general election, and whatever hope Mr. de Valera may have secretly cherished of a change in the party or policy of the British Government has now been effectively destroyed. On the other hand, there is universal satisfaction at the translation of Mr. Thomas to the Colonial Office. He had, unfortunately, neither the temperament nor the training necessary to deal with the Irish situation, and his successor, who is believed to have courage, imagination, and *savoir faire*, will have an excellent opportunity of making a new approach to what is undoubtedly the most difficult problem before him.

* *Ten Years of Export Trade*, by E. J. Coyne: *Studies*, December 1935.

The Bill enabling the Free State Government to take the necessary measures to impose sanctions against Italy met with practically no opposition, but Irish public opinion was both shocked and alarmed by the Hoare–Laval proposals. There is no doubt that, if Great Britain had not herself decisively rejected them, the Free State, at all events, would have unanimously refused to support a policy that sacrificed principle on the altar of a futile expediency. It must be emphasised that only a loyal and unambiguous adherence to League principles will receive Irish support. It may, perhaps, be added that the claim put forward by Mr. Dulanty, the High Commissioner for the Free State, at the Naval Conference, that the Free State would have the theoretical right to build battleships up to the "common upper limit" proposed by Japan, need not keep Japanese admirals awake at night, nor does it serve any practical purpose, save to release our inferiority complex and add to the gaiety of nations.

V. Economic Developments

FOR the first time since Mr. de Valera took office, the economic position in the Free State shows some signs of improvement. The visible adverse trade balance for the twelve months ended December 1935 was £3,789,152 less than for 1934. It was, however, still as much as £17,400,000, compared with £13,000,000 in 1931 and £10,000,000 in 1930. There has also been a slow, if not very marked, improvement in our internal commerce, as is proved by the bank clearings and railway returns, although the railway increase is largely due to the fact that the railway has now a virtual monopoly. Revenue returns at the end of December also showed an increase of just over £1,000,000 as compared with 1934. This is principally due to the yield from customs and excise duties, or, in other words, to the new tariffs. These indications of a partial return to normality arise from several causes, but principally

from the increasing prosperity of our largest and only substantial customer, Great Britain. The effects of the coal-cattle pact, a bountiful harvest, industrial development, and, to a small extent, the commercial agreements with Germany, Belgium, and Spain, which have forced those countries to make some return for our imports from them, have also contributed to this improvement.

But this is not the whole picture. The returns of the *International Labour Office* show that, in spite of our new industries, the number of unemployed increased last year by 5,153, and now stands at 129,403. Although Dr. Ryan, the Minister for Agriculture, has recently stated that he hopes to be able soon to find a market for all our surplus cattle, the official returns prove that the existing alternative markets to Great Britain are negligible. It is difficult, therefore, to see how this result is to be achieved unless the Government pockets its pride and makes a comprehensive agreement with Great Britain on all the matters now in dispute.

The cost of living, largely owing to the Government's tariff policy, has gone up to the highest figure touched since 1931, and is really much higher than the official figures disclose. The cheapest kind of tea is now 1s. 6d a lb, as compared with 1s. in 1931; a loaf of bread is 10½d, as compared with 8d; butter 1s. 5d a lb, as compared with 1s. 1d; flour 2s. a stone, as compared with 1s. 4d, and coal 3s. 6d a bag, as compared with 2s. 6d. These increases bear heavily on the poor in our cities, the agricultural labourers and the small farmers, who are the large majority of our population. One speaker at the recent Fianna Fail Congress complained that people in the poorer districts are "barely existing at present," whilst another delegate at the same gathering stated that farmers find it "practically impossible to make their living on the land." Figures recently published prove that our total poultry population has declined by half a million, although, appropriately enough, the number of geese has increased,

rently because they are cheaper to feed. Another esting and disconcerting fact is disclosed by the itted decrease in our rural school population, which is ably due to the spread of late marriages among the ing population.

; the new industries cannot absorb our surplus popu- 1, the only safety valve, now that emigration to the ed States and to the overseas Dominions has virtually d, is Great Britain, where 23,000 of our people went ear. The only alternative to a much lower standard ing is, therefore, a reduced birth rate; and those who erly went to America, being unable to marry and down on the land, must remain unmarried. It is probable that, as the population of Great Britain ies, emigration from the Free State to that country ncrease. Should Mr. de Valera's republic materialise, ation to Great Britain will become virtually im- ble, and many avenues at present open to our educated i in British commercial and professional life will be d. This is a possibility on which our ardent repub- would do well to meditate. In order to cope with ployment, the Government are experimenting with a scheme of relief works, designed to secure that as s possible every man in receipt of unemployment ance will obtain a certain amount of work each year. aim is to ensure that when a relief scheme is being nistered every man in the area concerned will get his , if possible an equal share, in the work. This is a n the right direction, and ought, if properly managed, duce expenditure on unemployment assistance.

ır educational methods have recently received some hing and long-overdue criticism. Certain obscure als in the Department of Education, in 1926, without ative sanction, devised a scheme designed to make the language the medium of general education in our ols. It was imposed first in the primary schools, h are completely under government control. By a

combination of grants, preferential marking, and pressure from inspectors, the secondary schools have also been forced to follow suit to some extent. The results are now becoming apparent. Teachers, who are in most cases imperfectly qualified to do so, attempt to teach in Irish subjects other than Irish to English-speaking children. In the infants' standards of the primary schools English-speaking children are taught in Irish only, which they do not know, are not taught, and never hear outside school hours. The result naturally is that their intellectual development is seriously retarded, and they cannot learn other subjects properly when they go up to the higher standards.

Such educational methods are bound to be fatal, not only to the general level of education in the country, already low enough, but also to the hope of reviving, or even preserving, the Irish language itself. They are conceived in perversity, being based on the fallacy that Irish is the spoken language of the country, and they are also false to every principle of education. It is self-evident, except, apparently, to our educational experts, that it is impossible to acquire an understanding of what you do not know through a language you do not know. Such methods, if persisted in, can only produce a virtually uneducated nation. The Dublin primary school teachers, several headmasters of secondary schools, leading authorities on education like Professor Tierney, and many infuriated parents, have recently voiced their condemnation of these methods, which, if public opinion properly asserted itself, would get short shrift. The Government, which is under the control of the vested interests that have turned the language into a profitable industry, refuses even to enquire into the matter; so for the present, at all events, parents must continue to suffer this imposition. But it is proof of the slow growth of real public opinion in the Free State that they are no longer content to do so in silence.

The Irish Free State,
February 1936.

GREAT BRITAIN

I. The General Election

WHEN The Round Table last went to press, the final results of the general election were not yet known, though it was already apparent that the Government had been returned with a majority beyond the hopes of all but the most optimistic of their supporters. At the end of a four-year Parliament, elected in the "landslide" election of 1931, they lost a net total of only 84 seats. The following table summarises the change from the old to the new Parliament:

	Old.	*New.*
Government Parties.		
Conservatives	460	387
Liberal National	39	34
National Labour	13	8
National	5	4
	517	433
Opposition.		
Labour	60	154
I.L.P.	3	4
Liberal	32	20
Communist	—	1
Others	3	3
	98	182

The "others" in the new Opposition include two "National Abstentionists," elected for the Northern Irish county of Fermanagh and Tyrone, who will refuse on principle to take their seats at Westminster, so the Government's effective majority on the morrow of the elections was 253.

This surprising result produced an exceptional crop of post-mortems. *The secretary of the Proportional Representation Society calculated that if the election had been* conducted according to the rules of P.R. the Government majority would have been only 48. Whether this result would have produced better government during the next five years is a problem that cannot be worked out with slide-rules. The Labour party will have nothing to do with P.R., since by far the greatest beneficiaries would be the rapidly dwindling Liberal party, and, as the *Daily Herald* bluntly put it, "Liberalism's decline is, in many country constituencies, Labour's opportunity". The same paper calculated that an average of 54,545 votes went to elect each Labour member, against an average of 27,207 for each Conservative, and drew comfort from the fact that Labour's total poll was the highest in its history, higher even than in 1929, when Labour became the largest party in the House of Commons. Yet none of the Opposition publicists could argue that the Government had not deserved a parliamentary majority, as the voting went, or that "scare" issues like the notorious Zinoviev letter had been introduced at the last moment to bamboozle the electorate. Perhaps the most striking thing about the election was the success of Government candidates in straight fights in urban and industrial constituencies up and down the country—outside the mining areas, where an impending wages dispute,* echoes of 1926, and the hardships of prolonged unemployment gave Labour an overwhelming advantage.

The result must be explained largely by the fact that the election was fought, not on any particular issue, whether chosen by the Government or by the Opposition, but on the general issue of the merits of a Government under Mr. Baldwin compared with those of a Government under Mr. Attlee or some other Labour leader. It is perfectly

* See THE ROUND TABLE, No. 101, December 1935, p. 153, and below, p. 372.

· that the majority of the electorate have not been ·inced *that the country would be generally better off* Labour in the saddle than under a National Govern- . There are still fears of an economic and financial ck just as recovery is strengthening its hold, and the ur party has itself to blame for not courting more iously the confidence of the people, as distinct from belief in its particular policies or dislike of the policies hers. Many electors had at the back of their minds, over, a feeling that Labour did not really want office is moment, and would not know what to do with it y were given a majority.

well-known socialist "intellectual," reviewing the s of the election, made the interesting suggestion that abour party, without in any way giving up its socialist iples, ought to tell the electorate what it does not d to do if returned to office, as well as what it intends , so that judgment might be passed upon its practical amme unhampered by fears of sudden and violent ivals in the whole economic structure. Only thus, lt, would Labour fall heir to the support of British lism—which survives the Liberal party undiminished ational force. The election results show that the bulk ·rmer Liberals, if they did not abstain, voted for rnment candidates. Indeed, it is arguable that the uccessors of the historic Liberal party are not to-day abour party but the Conservatives of the Left. One e most agreeable features of the results was the return number of young, energetic and liberal-minded Con- tives whose seats in industrial areas had been regarded her a forlorn hope. It is hard to tell what part the cil of Action * played in the result. To judge from nall fraction (64) of its list of approved candidates that elected, its influence was not great. But this does ·ule out the possibility that in a few "marginal" ituencies it swayed a decisive vote.

* See THE ROUND TABLE, No. 101, December 1935, p. 147.

The Government were unquestionably helped by the disturbed state of foreign affairs. Their staunch support of the League in the September crisis had rallied to their support a mass of moderate opinion which would normally distrust the Right for its tendency towards excessive nationalism and isolationism. The Opposition could claim no more than a greater fervour in the same cause of supporting the League. In foreign affairs, as at home, the Government appealed for an open mandate, in the name of the Prime Minister. And in such times Mr. Baldwin's is the type of personality to which men and women confidently turn. It must be recorded, however, that his reputation with the public whose critical votes had assured him his mandate received a sharp setback in the affair of the Hoare–Laval peace plan, which has been discussed in an earlier article in THE ROUND TABLE.*

The most serious blow to the Government at the general election was the defeat of Mr. Ramsay MacDonald at Seaham Harbour and of Mr. Malcolm MacDonald at Bassetlaw. Both were fighting difficult constituencies which with less courage they might have deserted for safer Government seats. Mr. Baldwin lost no time in paying tribute to their personal importance in his scheme of National Government by including them, despite their defeat, in his reconstructed Government. Mr. Malcolm MacDonald, indeed, received what was generally regarded as promotion when he and Mr. Thomas exchanged the Secretaryships of State for the Colonies and for the Dominions. Lord Halifax became Lord Privy Seal in the room of Lord Londonderry, and Mr. Duff Cooper, a new-comer to the Cabinet, replaced Lord Halifax as Secretary for War. Before the last election returns were out, Mr. Ramsay MacDonald was given an opportunity of standing again for Parliament by the death of one of the Conservative members for the Scottish Universities. He accepted an invitation to stand from the Conservative associations of all the four universities,

* See above, p. 278.

but found himself opposed by a Scottish Nationalist who might otherwise have been described as an independent Conservative, as well as by a Labour candidate. His opponents made the most of his former vote in the House against university representation, his lack of university status, and the allegation that he was being foisted by London upon Scottish electors. Nevertheless, he gained the seat by a substantial clear majority over both his opponents. Meanwhile his son, still further north, was facing similar and even more strenuous trials in his efforts to make his way back to Parliament. When the Liberal National (or "Simonite") member for Ross and Cromarty resigned his seat, the local Liberal association invited Mr. Malcolm MacDonald to stand, but the Conservatives decided by a majority—in face of pressure from the central office, and of the Prime Minister's unequivocal support for Mr. MacDonald—to enlist Mr. Randolph Churchill as their candidate. The local Conservatives having thus rebelled against their central authority, the comedy was completed by a rebellion of the central Liberals against their local association; for the Scottish Liberal Federation insisted upon engineering the candidature of an Opposition Liberal. These manœuvres seemed to be mainly to the advantage of the fourth candidate, a Labour man.

In the upshot, however, Mr. MacDonald was elected with a majority of nearly 3,000 over his Labour opponent; Mr. Churchill, with 2,427 votes, came close to losing his deposit, and the Liberal was nowhere. The Government was thus fortified, not only by evidence of popular support, but also by the retention of a young Minister of whom much is expected.

The general public could not fail to regard the successive adoption of the MacDonalds as candidates by Conservative and Liberal associations as a move towards the unification of "National" parties. But that process, if it continues, must take a long time, since the Conservatives are determined not to lose their party identity even to the extent of modifying

their name, and the general election results themselves showed the rather surprising vigour of separate "Liberal National" and "National Labour" forces.

On the other side of the House, the Liberals received a sad blow in the defeat of their leader, Sir Herbert Samuel, in whose place they elected Sir Archibald Sinclair. The Labour party had also the problem of party leadership to tackle. After Mr. Lansbury had resigned on account of his divergence from the majority on the sanctions issue,* Mr. Attlee was elected for the rest of the session, but the 150 per cent. increase in the Labour representation at Westminster brought about an entirely new situation, and some favoured Mr. Herbert Morrison, others Mr. Arthur Greenwood, as likely successors. In the outcome, Mr. Attlee was again chosen, a vote that indicates that the Labour party will keep to a central steady course, suspicious both of its "intellectual" wing and of the extremists of the Left. Mr. Attlee, though an energetic and successful House of Commons man, is hardly a figure to fire the imagination of the country.

When Parliament was opened on December 3, there were few surprises in the tally of proposed legislation recited in the King's Speech—the improvement and enlargement of our armed defences; the Bills for raising the school-leaving age, for unifying royalties in the coal-mines, for enforcing a "rationalisation" of the spinning trade in Lancashire, and for guaranteeing a loan of £26,000,000 for capital works on the main line railways; † the revised unemployment assistance regulations—still due, a year after the collapse of the regulations first applied under the new system; and the extension of unemployment insurance to agricultural workers. It is, in the mass, a progressive programme, with a distinct emphasis on social services. Certainly it is a very crowded list, and it will be

* See THE ROUND TABLE, No. 101, December 1935, p. 145.

† See THE ROUND TABLE, No. 100, September 1935, p. 798, and No. 101, December 1935, p. 151.

small wonder if some measures have to be jettisoned for the time being.

The most important legislative measure that has yet been published in detail is the Education Bill, which is to raise the school-leaving age to fifteen. The cost is reckoned at £2,160,000 a year, of which £1,495,000 will fall on the national Exchequer, and the remainder on the rates. Probably the most controversial part of the Bill is the provision for exemptions from the rule when a child between 14 and 15 can obtain a certificate of "beneficial employment". Before deciding whether any employment is beneficial a local education authority must have regard to the prospective as well as to the immediate benefit to the child, and in particular must take into account

(1) The nature of the employment, the wages to be paid and the hours of work;
(2) The opportunities afforded to the child for further education;
(3) The time available to the child for recreation.

The authority may require undertakings from the employer on these points, violable on pain of a fine. The system of exemptions for beneficial employment represents a reversion to the practice of earlier periods in the progress of compulsory education, and is regarded by many social reformers as a retrograde step. Their main contention is that it will prevent the proper organisation of classes and curricula, and will mean that children in their last school year will be looking for jobs instead of concentrating on their school work.* Some say that 80 to 90 per cent. of the children will be exempt. But this is unlikely to be the only disputed element of the Bill; for the story of public education in this country is strewn with the bitter memories of struggles over the status and financing of "voluntary" schools, and over the question of religious instruction. Both of these issues are raised once more by the new Bill.

In the second reading debate on the Spindles Bill the

* See the *Manchester Guardian*, February 1, 1936.

Government's apparently unassailable majority fell to only 23 on an amendment, which was supported by a number of Conservative members for industrial constituencies, to refer the Bill to a Select Committee. There is an active minority in Lancashire against the measure, and some members with an individualist outlook dislike its compulsory provisions. The Labour party's objections are based mainly on the immediate loss of employment that must accompany a reduction of spinning capacity; when Mr. Runciman claimed on behalf of the Bill that 28,000,000 spindles were in favour of the Bill compared with 11,000,000 against, a Labour member interjected " Spindles don't think or feel ". Another new measure that may cause the Government some trouble is the Bill for the reorganisation of the beet-sugar industry. They have rejected the majority proposals of the Greene Committee * for the abolition of the subsidy, but have accepted the alternative plan for the compulsory amalgamation of the refining businesses and the supervision of the industry by an independent commission. Standard prices are to be fixed for beet, and the amount of subsidy will vary according to the world price of sugar and other factors, but for the present the annual cost is reckoned at £2,750,000. Incidentally, it was remarkable, after years of agitation by the Opposition, how small a part the Government's agricultural programme seems to have played in the general election. Not only was it overshadowed by unemployment and foreign affairs; food is not yet dear enough for " Dear Food " to be a rousing political cry. Moreover, Labour has to win country constituencies in order to secure a majority, and it has itself no clear alternative to the Government's protective and restrictive plans save the vague principle of the nationalisation of the land.

But it is not on such particular issues that the Opposition may be expected to spend the main force of their attack. In the debate on the Address, both the Labour and Liberal

* See THE ROUND TABLE, No. 99, June 1935, p. 575.

:smen seized upon the absence of any mention of the
ıployment problem in the speech put into the mouth of
Majesty. Their blade has been sharpened by the big
ı unemployment in January, seasonal as it undoubtedly
n the main; and the Opposition will lose no oppor-
r of tackling the Government on its policy for
ing unemployment and restoring the distressed areas.
e other main point of attack will certainly be the
rnment's rearmament plans. The Liberals have
ted in principle the need for better and more modern
:es, in view of the potential threat from heavily armed
ry dictatorships; but they will seek to link up any
:e proposals with policy for the betterment of inter-
al relations and the strengthening of the League,
o check anything that savours of isolationist
alism. The position of the Labour party is rather
e. The bulk of the party have decisively rejected
n in the more particular sense, and have recognised
pport for the League of Nations requires a sufficient
of armament to stand behind its collective decisions.
ey are even more suspicious than the Liberals of
mpt to smuggle through, under an internationalist
e, a selfish, nationalist and provocative armaments
and with the Liberals they will press for the
ssion—or at least the rigid control—of the private
cture of arms and munitions of war. If we are to
rom a singularly unilluminating article contributed to
ty newspaper by Mr. Attlee,* they will demand that
appropriated for rearmament be spent exclusively on
sive" weapons and measures. What these are, the
leader seemed uncertain; for he classed tanks with
ips and bombing aeroplanes as offensive weapons,
complained of a neglect of the Tank Corps, and in
nultimate paragraph admitted that, "until the
ts invent something that will frustrate the attacking
ne, there is no such thing as defence". The bare

* See the *Daily Herald*, February 5, 1936.

truth is that amid the ruin of our post-war hopes of universal peace few of us, and official Labour least of all, have fully adjusted our ideas on armaments and international policy to the conditions of a world in which Germany is rearmed, Japan and Italy have torn up their pacific engagements, and the coercive side of the League Covenant has been dangerously brought into play.

II. The Coal Settlement

LABOUR, quiescent or on the defensive during the depression, is now showing signs of response to the improvement in trade. The membership of the trade unions is once again increasing. Movements for higher wages are developing, mainly among the depressed, or lately depressed, industries. The coal-mining dispute was settled on terms favourable to the men. The shipbuilding employers have promised an early increase. The engineering unions, encouraged by the reduction of unemployment to a low level in most branches of their industry, are asking for a wages advance. Seamen's wages are under discussion. The Yorkshire woollen and worsted workers are trying to get a common standard of wages and hours re-established; the industry is enjoying something like a boom, but its labour conditions are chaotic and largely unregulated by collective bargaining. The railway unions are pressing for the final restoration of what they lost in wages and working conditions in 1931; the financial results of the companies are not altogether favourable to the men's claim and the controversy promises to be prolonged. Too much need not be made of the unofficial strike of workers in the Smithfield meat market, which for a few days in February threatened London's supplies, but it was symptomatic of a rising tide of confidence on the labour side.

The settlement of the coal-mining dispute was a considerable achievement. It was the first great coal dispute

since the war to be settled without the active intervention of the state. For this the national emotion with which the last weeks of January were charged was in some degree responsible. This, it was felt, was no time in which to badger the Government or threaten a stoppage of industry. But the settlement was not a mere compromise of expediency; it came close to the aims of the more far-sighted of the miners' leaders. They started their campaign with two objects—first, to persuade the Government and the owners to reorganise the industry in order to increase its wage-paying capacity, and, secondly, to secure an immediate advance in wages, if possible on a national scale. The Government helped them with the first aim, in pressing the owners to adopt central selling schemes by July 1 next, and, by pledging itself to introduce a measure for the nationalisation of mining royalties, gave an earnest of its intention to promote further reforms. But regarding the immediate increase of wages the Government refused to intervene, as the men desired, with the grant of a subsidy. Miners and owners were thrown back on themselves, or, rather, on the public. December and early January saw a quite remarkable agitation, probably without parallel in this country, for securing voluntary offers of higher prices from those coal consumers—the majority of commercial and industrial users—who were protected by forward contracts. The owners said frankly that they had no money and that if the public wanted to avoid a strike and raise the admittedly inadequate wages of the men they must pay. The consumers' response was generous, and not merely from prudential motives; the country was moved by the miners' case and by the moderation with which it was stated.

The upshot was that with the increase in the price of household coal, and the voluntary increase (usually of a shilling a ton) accepted by most commercial and industrial users (the railways and cotton mills being the principal dissenting parties), an added revenue of the order of

£6,500,000 to £7,000,000 a year was promised from inland sales of coal. For export coal no improvement in prices was counted on. On this basis the owners in each district made an offer of an immediate increase of wages. The offers ranged from 1s. a day in the Midlands, Yorkshire, Lancashire, and North Wales, to 9d in Scotland, 6d in Durham and Northumberland, and from 2½d to 5d in South Wales. Even in the more prosperous coalfields this was only half of the flat rate increase of 2s. a day that the men had asked for; in the exporting districts, where wages are lowest, the offers gave no satisfaction. The men's first reactions were hostile, and there was every appearance, until the death of the King, that the districts would once again take matters into their own hands and insist that the strike notices (which the Executive had postponed) should come into effect.

The owners' final terms, however, contained an important further concession. They undertook that a National Joint Standing Consultative Committee should be set up

for the consideration of all questions of common interest and general application to the industry, not excluding general principles applicable to the determination of wages by district agreements.

In spite of the vagueness of the terms of reference this is an important concession. The stoppage of 1926 ended with the denial of national negotiations and of the recognition of the Mineworkers' Federation as a body for the discussion of wages. The principle of the district determination of wages still remains, but the owners have agreed that the district agreements should be brought under national review. There are, for example, numerous divergences in local practice which the owners, no less than the miners, would like to see brought under a common policy. Moreover, as Mr. Joseph Jones, the miners' president, put it in his comments on the terms,

in our view, every development within the industry in recent years provides a powerful reason for adopting a national as

opposed to a district conception of the industry's problems, and we are delighted to think that the coalowners are at last showing signs of appreciating our point of view.

The miners' delegate conference on January 24 therefore accepted the terms as "an instalment of the further improvements which will be rendered possible by the proposed selling schemes." South Wales, Northumberland and Cumberland opposed, and Scotland was neutral. The districts have since ratified the terms, though without enthusiasm.

It is only an interim settlement; but, if the new joint machinery is not overstrained, if the owners set up efficient sales schemes, with proper national co-ordination, the conditions should soon be ripe for the long-term settlement for which the miners' president has appealed. The public, having made the settlement possible, will now be the more inclined to keep a watchful eye on the industry, and will hold the Government responsible for seeing that the continuing abuses under Part I of the Coal Mines Act, 1930, are removed, and that structural reorganisation and the concentration of production are hastened.

CANADA

I. Canada and the International Crisis

BEFORE *the League of Nations was established, Canadians who gave any thought to the question of* national security naturally looked, first, to our membership in the British Commonwealth, but at the same time they regarded as a very important "second string" to our bow our geographical position on the North American continent as a neighbour of the United States. Thus, when Canada became a member of the League, the question to which most attention was given was what effect this new affiliation was likely to have on our relations with Great Britain and the rest of the Commonwealth, on the one hand, and with the United States on the other. The country was rather happily situated, such was the feeling, under the former dispensation, conditioned by those two relationships. Was there a danger that the new relationship might prove at once incompatible with the two older ones, and less effective? This is still the point of view from which Canadians approach questions involving international action through the League.

In order to understand Canadian opinion with regard to the international crisis of these last months, it is necessary to go back at least to the Manchurian episode of 1931. Up to that time, the Canadian attitude to the project of a collective defence system under the League might be described as one of fugitive benevolence. As in most countries, the strongest and most universal feeling all through the 'twenties was the desire to have no more war, to which end the collective system seemed the best available means. But there was no general interest in, or discussion

of, the question how the world was to be organised for peace, or the implications for Canada of the collective defence system. Most people allowed the wish to be father to the thought, that Canada would be no more likely to be called upon to back up her adherence to League principles by participating in the application of military sanctions than the ordinary citizen is likely to be called on to rally to the support of the police in maintaining law and order.

To a community harbouring such vaguely benevolent and naïve notions, the apparently easy and complete triumph of an aggressor in Manchuria in 1931 came with somewhat of a shock. Those who had always decried the League as incapable, in the nature of things, of checking a great Power saw their view confirmed. Those who believed in the collective security system, on the other hand, saw that another such failure as that in the Far East would mean the end of the League; but, in the absence of a clear lead from the great Powers of the League and of the support of the United States, they felt that there was nothing a country like Canada could do. The party leaders, almost to a man, maintained an inscrutable silence, and the country relapsed into a state of comparative indifference, from which not even the suggestion that Canada might well be the Belgium of a war between Japan and America could avail to rouse it.

Partly as a result of the Manchurian fiasco, the question began to be asked whether the great Powers in general and Great Britain in particular were really taking the League seriously, really thinking in terms of the principles of the Covenant as a whole, including an attempt to remove the causes of war, or were simply regarding it as an instrument for maintaining the *status quo*, especially in Europe. The dissatisfaction with the uncertainty of the position and the absence of any clear lead from Westminster found expression in the proposal of Senator McRae, a leading Conservative, that Canada should withdraw from the

League, and in a vigorous arraignment of the League, as at once impotent and dangerous, by an influential Liberal newspaper, the *Toronto Globe*, which, though a strong believer in the Commonwealth, has never shown itself incapable of thinking in wider terms. These voices of disillusionment—for that is what they were—did not, however, strike any particularly responsive chord, not because the majority of Canadians thought they were wrong, but because the majority of Canadians did not think about the problem at all. The few who did try to look ahead, taking as their starting point the proposition that world peace was the be-all and end-all of the country's foreign policy, began to ask themselves whether Canada could best make its contribution to that cause as part of a Commonwealth whose predominant partner did not seem to have made up its mind upon its attitude to the League, or independently. There were those who advocated working independently in any event, while even those who urged close co-operation with the other Commonwealth countries postulated an assurance that the policy of the Commonwealth should be *unequivocally pro-League in the full sense.*

From what has been said, it will easily be understood why there was serious concern and disquietude during the first months of last year, particularly among the strongest believers in Commonwealth co-operation. Even to them, it began to look as though the problem created by Italy's predatory policy in Ethiopia was to be solved in terms of the old diplomatic barter instead of the treatment of an obvious aggressor in accordance with the principles of the Covenant. The isolationists, who had always deprecated Commonwealth co-operation, naturally saw their view confirmed. When, however, the United Kingdom Government declared its intention of giving full support to the League and proceeded to take the lead in declaring the aggressor and arranging for the application of financial and economic sanctions against him, doubts about Great Britain's single-mindedness tended to disappear. Canada's

course then seemed, at least to the majority of the English-speaking population, to be clearly marked out for her, namely, to join with the other Commonwealth countries in following the strong clear lead that had been given.

For a not unimportant section of opinion, which believes in the Empire but not in the League, this was no doubt due to the fact that the League was, in this instance, proving a useful ally to the Empire. Even the *Toronto Globe*, which had been consistently denouncing the League on general principles, suddenly found virtue in a League that supported the Empire. Another section of opinion, the anti-imperialist, naturally saw in Great Britain's firm stand against Italian aggression in Ethiopia simply another phase of the imperialist scramble for territory. Great Britain was obviously intervening, it was said, not in order to vindicate the principles of the Covenant, but simply because her own interests in Egypt and the Mediterranean and the Far East were, or might be, adversely affected. Still a third group should be mentioned, comprising most French-speaking Canadians and not a few English-speaking, which clearly became alarmed when Sir Samuel Hoare's speech in September was followed by the naval demonstration in the Mediterranean in October. The French-Canadian point of view may be described as isolationist-imperialist; French Canadians believe in the Empire and want to see it strong, but they are fearful of, and for the most part do not see the need of, any outside commitments, through the League or otherwise, which may involve Canada in war. The alarm of the English-speaking isolationists, on the other hand, follows naturally from their view that Canada's proper course is to accept the implications of her geographical and economic position, and to move more and more, so far as international relations are concerned, into the orbit of the United States.

While these various divergent views were undoubtedly held by considerable numbers of people, the Government was certainly right in its judgment that the country

was predominantly in favour of joining with the other States members of the League in applying financial and economic sanctions.

It is true that the question of participation in military sanctions, if they should become necessary, was not faced. The political leaders, with an election on their hands, declared that that question was one for the new Parliament, and the country at large may be said to have been "not ready for the question." But it was luminously clear that the uncertainty and hesitancy about the country's relation to the League, whether independently or as a member of the Commonwealth, had been largely swept away; the English-speaking press, with unimportant exceptions, vigorously approved of the support given to Great Britain by the Canadian spokesmen at Geneva. Thus, too, there was widespread approval for the proposal made on November 2 by a Canadian representative that oil, coal by-products, iron and steel should be added to the list of prohibited articles, though doubts were entertained in some quarters whether such a proposal should not have come from one of the great Powers rather than from a minor State; and, it must be added, there were many, not merely in Quebec, who strongly disapproved of Canada's doing anything that might result in her being involved in war. Broadly speaking, then, in September, October and November opinion formed and moved rapidly, and for the most part in one direction—towards the view that Canada's place was with the other Commonwealth countries, supporting Great Britain in the lead she was giving to the League as a whole.

This view of the situation may be said to have been borne out by the way in which the country received the Canadian Government's denial that its representative had been authorised to propose the addition of oil and other raw materials to the list of "sanction" commodities. While the repudiation was undoubtedly approved by French Canada and by the isolationist "continental" school of thought generally, as marking a determination to preserve

lom of action if financial and economic sanctions should to war, equally clearly there was widespread approval ie view taken by most of the leading English-speaking spapers, like the *Toronto Globe* and the *Winnipeg Free s*, which deplored what they regarded as a weakening ie hands of the League at a critical time. It was to be d, too, that, however opinion might be divided on the om of Canada's taking the initiative in proposing an sification of the sanctions programme, there was ically no protest against participating in the measures had already been adopted. The clear, firm lead given reat Britain had made the majority of Canadians feel ically for the first time since the establishment of the ue that the collective security system might be made ive and that Canada's duty was to assist in making .

this new-found clearness of outlook the news of the e–Laval proposals naturally came as a rude shock. e knowledge was lacking of the considerations ved, the country was naturally mystified by the con- between the action of December and the professions ptember; and in the interval before the British public nded the repudiation of the proposals all the old ts about Canada's relation to the League, both individu- nd as a member of the Commonwealth, were revived. ay, presumably, Canadian public opinion is back where s before the Hoare–Laval proposals, with this excep- that there is a greater realisation of the seriousness of tuation and of the responsibilities involved in member- of the League.

however, it is asked whether Canada is now ready for uestion, "Will you, if the policy of sanctions leads to carry your support of the League to the point of ipating in armed action?", the reply must be in the ive. The following summing up of the situation by *lay Night*, a Toronto independent Conservative weekly, issue of December 14, is both detached and accurate:

It is not very helpful for Toronto newspapers whose party has at the moment no responsibility for Canada's external policy to protest earnestly that "League countries must be prepared to enforce their rulings with whatever measures are necessary, must be prepared to meet attacks from the nation that has broken its pledges, or else the League becomes nothing more than a meaningless name". The uninformed reader might suppose from this that the party which these newspapers support was committed to a policy of enforcing the rulings of the League "with whatever measures are necessary". But no party in Canada is on record to any such effect. No party in Canada has accepted the principle that Canada must be "prepared to meet attacks" from recalcitrant nations—unless meeting an attack includes yielding to it without resistance. The limitation of Canada's obligations to economic measures alone, the careful exclusion of all military commitments, is a policy common to all the great Canadian political parties, and one which we imagine will continue to be common to all the parties so long as Canadian public opinion remains what it now is. Mr. Meighen, who is cited in some of these articles as an example of the proper heroic attitude for Canadians to take in the present situation, is so far from being an advocate of the acceptance of any military commitment by a Canadian Government that he once enunciated a proposal forbidding even Parliament to declare war without first securing the sanction of the electors in a plebiscite. Mr. Bennett's attitude on the subject of Canada's obligation as a League country to enforce the rulings of the League "with whatever measures are necessary" is exactly the same as Mr. King's.

If Canada is not "ready for the question" to-day, when, it may well be asked, will she be ready? The only answer that suggests itself is "When the actual need for armed action by the League arises". This, no doubt, is anything but satisfactory from the standpoint of a country that is likely to be the first to be attacked by the aggressor against whom sanctions are being applied. In the same way it was most unsatisfactory, not to use a stronger word, for France in 1914 not to be able to get a definite promise from Great Britain that she would come to France's support if Germany attacked. If it was impossible on that occasion for Great Britain, only twenty-one miles away, to promise in advance, is it not natural that Canada, nearly three thousand miles away, should find it difficult? That, in any event, appears to be the situation; the country has

not got beyond the point of saying: "We agree to fulfil our obligations under the Covenant so far as financial and economic sanctions are concerned, and, if these do not prove sufficient, we will join with our fellow members in examining what further steps should be taken." Which, incidentally, is exactly what the other fifty odd "sanction" members are saying. It may appear rather a "limited liability" attitude to adopt, but there is this, at least, to be said, that the decision to persevere in the application of non-military sanctions has been taken in spite of a clearer realisation than ever before of the grave risks involved.

The fact that the country has reached this point without any serious protest from the not inconsiderable number of people, not confined to Quebec, who think that Canada should adopt an isolationist, North American policy, and follow the United States rather than work with the Commonwealth and the League, strongly suggests that there will be no going back on the policy of supporting the League.

While the League of Nations Society cannot be said by any means to be thoroughly representative of Canadian opinion, its resolution passed in November, endorsing "the action of the Canadian Government in agreeing to co-operate in the imposition of economic and financial sanctions in order to restore peace in the present crisis," is not without significance. The longer the League policy is persevered in, the more unlikely it obviously is that those who take the isolationist, continental view will be able to persuade the country to abandon it; for in addition to all the other reasons against such a course there will be the moral obligation not to desert fellow members at the very moment when the risks that all have assumed in common have materialised. This, of course, will depend on whether those same fellow members, and particularly Great Britain, remain loyal to the League policy. Any sign of weakening in support of the League on the part of Great Britain would have immediate and far-reaching

repercussions in Canada. Thus Mr. J. W. Dafoe, our foremost journalist, quotes with approval, in the January 8 issue of the *Winnipeg Free Press*, the view expressed in a letter to *The Times* from Professor W. K. Hancock, written following the Hoare–Laval episode:

> The true view of the British Commonwealth to-day is something like Burke's view of party. The Commonwealth is a body of nations united under a common head in support of a principle. Unity in foreign policy must be won by the consent of all members of the Commonwealth to a common policy; it can no longer be imposed by decisions taken in London. The separate decisions taken in London, Dublin, Ottawa, Canberra, Wellington, Pretoria, will harmonise only if they are taken in accordance with an agreed code of principle and procedure. If through lack of courage or a short-sighted view of her interests Great Britain allows herself to be forced from the solid ground of principle on to the shifting ground of diplomatic barter, it will be difficult for the free communities associated with her under the Crown to understand and follow her manœuvres. Anybody who knows public opinion in any one of the Dominions must be intensely aware of this. The enlightened self-interest of the British Commonwealth demands a loyalty to the League which may be prudent, but which must be unambiguous.

Mr. Dafoe continues:

> What Prof. Hancock is saying in this guarded language is that if Great Britain embarks on "diplomatic manœuvres" involving the repudiation of League principles, it will be difficult—very difficult we would say—for the Dominions to follow her. If the jingoes, die-hards and isolationists of Great Britain could get through their thick heads the thought that the destruction of the League will make the continuance of the Commonwealth on its present basis difficult, and perhaps impossible, they might change their minds. The idea, which largely explains their hostility to the League, that with the disappearance of the League an armed and centralised empire will spring into being, has no relation with actuality; it is nothing but a dream.

Without following Mr. Dafoe into the realm of prophecy, this at least may be said of the present situation, that support of the League appears to be not merely the policy most likely to unite the various divergent elements in Canadian public opinion, but the only policy that will begin to do so.

I. The Canadian-American Trade Agreement

HE history of Canadian-American trade relations has been marked by paradox and curious contradictions. are two countries with closely related economies, h, in spite of many superficial irritations, have con- ntly improved their mutual understanding and yet almost continuously been raising tariffs and other : barriers between themselves. For seventy years, occasional interruptions, there have been increasing s and yet increasing trade, both absolutely and re- ely. In both countries, there have been from time me strong movements for reciprocal or negotiated s, but these movements have always just missed each r.

ne first, unsuccessful attempt to negotiate a reciprocal ng agreement occurred about 1650, when New and traders tried to secure access to the St. Lawrence y by sea. During the eighteenth century, in spite fficulties of transport and legal prohibitions, an active ggling trade existed between New York, Albany and ch Canada. In the nineteenth century, as soon as irst St. Lawrence canal system was opened, a large developed through the processing, in the Montreal- oec area, of American raw materials, particularly t, which thus acquired a Canadian nationality and the to preferential entry into the British market. The d of the Corn Laws, the establishment of free trade he consequent disappearance of preference on Canadian in the British market destroyed the *raison d'être* of trade and produced financial desolation in Montreal. result of these events was the drive for reciprocity the United States, a drive that came to a successful lusion in the treaty of 1854. This treaty, after lasting ve years, was denounced by the United States and passed .history in 1866. From that time on there occurred cession of unsuccessful "pilgrimages to Washington,"

but when at last in 1910 American policy changed and the agreement of 1911 was drawn up, it met a flood-tide of Canadian nationalism and was defeated by the country that for forty years had been seeking just such an arrangement.

The decade of the 1920's saw a renewal of higher tariffs in the United States, first the Fordney–McCumber tariffs of 1921 and 1922 and then the Hawley–Smoot tariff of 1930. Both of these upward revisions applied particularly to agricultural products and raw materials. The American manufacturer had long been highly protected. The post-war depression hit the American farmer with great severity, and largely increased tariffs were the remedy administered. The 1922 tariff affected especially cattle, fish, fruits, cheese and vegetables. Many market gardeners thriving on the Canadian side of Lake Erie were summarily bankrupted. The 1930 revision was even more drastic, the rates on cattle, milk, cream, potatoes and many other items being increased by upwards of 50 per cent., in some cases by 200 per cent. A considerable list of goods, especially in the lumber schedules, that formerly entered free were made dutiable. Many of the Hawley–Smoot duties were entirely prohibitive and wiped out large and valuable lines of trade.

The sharp increases in the Canadian tariff in 1930 and 1931 were to a considerable extent retaliatory. These increases were reinforced by a wide extension and a free use of the powers of administrative protection (*e.g.*, fixing special valuations for duty purposes by ministerial decree, with the consequent imposition of very heavy dumping duties). These tariff increases were the first in Canadian history that really seriously injured the American export trade to Canada. A trade valued at $868,000,000 in 1929 had fallen to $235,000,000 in 1934. In 1929 the United States supplied 69 per cent. of Canada's imports, in 1934 only 55 per cent. On the other hand, Canadian exports of agricultural and animal products to the United States,

which had totalled nearly $150,000,000 in 1929, fell to $17,000,000 by 1933. In 1929 the United States was taking 18 per cent. of Canada's exports of these classes, in 1933 only 6·9 per cent.

As the depression deepened and the strain in the Canadian West neared the point of collapse, the problem of markets became one of paramount urgency. The Ottawa agreements provided a stay of execution rather than a real release. It was natural, therefore, that the Canadian Government should have been among the first to open conversations in Washington as soon as the Reciprocal Trade Agreements Act became law. The Act empowered the President to reduce existing duties by not more than 50 per cent., but forbade him to put any dutiable article on the free list.

The course of negotiations was not smooth, especially for the United States. Canada naturally wanted freer entry for the products of her depressed primary-producing areas, and in return could offer concessions chiefly in manufactured goods, sub-tropical fruits and early vegetables. But the Government at Washington was engaged in a gigantic and highly complex programme of controlling the production and raising the prices of just the kinds of goods on which Canada wanted concessions. Moreover, Washington had hopelessly alienated the political affections of the manufacturers who might benefit by the Canadian concessions, and had placed large reliance on the agricultural vote, which would thus be jeopardised.

The technical side of the negotiations had been carried on steadily from the autumn of 1934 to the late summer of 1935 and was practically completed before the Canadian general election in October. The obstacles to final drafting lay in Washington and not in Ottawa. Apart from its own political indecision, Washington clearly preferred to sign an agreement with a Government fresh from the polls, rather than with one just at the end of its legal tenure of life. Much the same agreement might possibly have been

signed at much the same time if Mr. Bennett had won the October election. It was also desirable to keep the details of the agreement out of the dust of the electoral arena. As it was, both the major parties were committed in principle to an American trade agreement. Had the discussion been centred on a complicated schedule of particular tariff changes, the public debate would have produced much more heat than light, and political leaders might have been manœuvred into unfortunate uncompromising positions on particular details. While, however, the clear-cut Liberal victory enabled Washington to negotiate with confidence, it did nothing to change the internal balance of political forces in the United States. Close American observers were quite as surprised as Canadians at the change in the attitude of the American Government during the last week in October and the first week of November, and at the speed with which the agreement was finally signed. This rapid consummation must be regarded in large measure as a personal triumph for Mr. Mackenzie King in obtaining the President's active and keen support for a trade agreement.

The principal clauses in the agreement signed on November 15, 1935, can be summarised briefly. Let us see first what Canada gets.

1. Reduced rates of duty on 63 items. On 27 items, including lumber and timber, dairy cows, halibut, smoked herring, whisky, pulpwood, oats for feed, and grass and fodder seeds, the reduction is the maximum of 50 per cent. permitted to the President. Other reductions of from 20 to 49 per cent. of the existing rates include important chemicals, cattle, horses, poultry, cheese, cream, fish, apples, seed potatoes, lime and hay. In general, the rates are cut to approximately 1929 levels, *i.e.* pre-Hawley–Smoot tariff.

2. On four items the present rate of 10 per cent. is to be continued, and 21 important items are guaranteed free entry during the life of the agreement. Included in this free list are agricultural implements, asbestos, furs, woodpulp, newsprint, gypsum, shingles, lobsters, logs and posts.

3. On a few items the United States applies, or reserves the right to apply, quotas to the Canadian imports at the new rates of

duty. These are Douglas fir and Western hemlock (250,000,000 feet), cattle (228,000 head), seed potatoes (750,000 bushels), cream (1,500,000 gallons) and shingles (25 per cent. of United States domestic shipments in the previous six months). The lumber quota represents about 50 per cent. of 1929 exports, the cattle quota 90 per cent., and the quota on cream about 65 per cent. In 1935 our fir and hemlock exports to the United States were less than 4,000,000 feet, and cattle exports only 27,000 head, while cream exports had entirely ceased.

4. The total volume of Canadian exports to the United States was $503,000,000 in 1929 and $227,000,000 in 1934. The agreement lowers tariffs on items that in 1929 amounted to $80,000,000 and in 1934 to $30,000,000, and guarantees the continuance of free entry to exports that amounted to $229,000,000 in 1929 and $118,000,000 in 1934.

5. Canada receives from the United States unconditional most-favoured-nation treatment (excepting Cuba).

6. Finally, by entering into a trade agreement with the United States Canada escapes the 50 per cent. surtax penalty which under the American law was mandatory against countries discriminating against United States trade. The United States Government had declared that the existence of a three-column tariff and a refusal to enter into mutual unconditional most-favoured-nation relations was *ipso facto* discrimination.

These concessions to Canada are undoubtedly of great value. Canada would have liked more, especially on fish (cod is not included in the reductions), lumber, and dairy products (milk and butter get no reductions), and in the size of the quotas. But she has obtained substantial relief for the western lumber and cattlemen, for the maritime fishermen and farmers, for the Ontario and Quebec mixed farmers, and also on a number of small but fairly important mineral and chemical items.

What does Canada give in return?

1. First, unconditional most-favoured-nation treatment (excepting the British preferential tariff). This automatically extends the whole intermediate tariff to the United States in place of the general tariff. In many cases the general and intermediate rates are the same. On the great majority of items the difference is 2½ per cent. Only in a few items is the difference more than 5 per cent. The more important of these are certain types of textile yarns, clothing, jewellery, machinery and the more expensive kinds of motor cars.

2. Canada also grants a number of special reductions below present intermediate rates. The most important are on oranges, fruits and vegetables, farm implements, magazines and most types of machinery.

3. The Canadian Government undertakes to invite Parliament to enact legislation permitting *bona fide* returning Canadian tourists to bring in free of duty incidental purchases up to a value of $100 under conditions similar to those applying to returning American tourists.

4. Finally, and perhaps most important of all, the Canadian Government undertakes at the next session of Parliament to propose amendments to the Customs Act with a view to eliminating arbitrary executive interference with the normal course of trade. Specifically, Canada agrees to cancel forthwith the special customs valuation orders on 20 items, to limit future seasonal valuations on certain fresh fruits and vegetables to 80 per cent. of the lowest seasonal advance in valuation proclaimed during the years 1933 to 1935, to give adequate notice of future changes in rulings, classifications and valuations, and to permit appeal to the Tariff Board by interested parties against such orders. Canada has not entirely surrendered the right to use " administrative protection ". For example, if a foreign exchange situation arises in which she feels it necessary to apply compensating duties against American imports, the matter must be one for negotiation, but if no arrangement satisfactory to Canada can be reached after thirty days, she has the right to terminate the agreement in its entirety.

There is some complaint that, since the general tariff has always been drafted with an eye to American competition and the intermediate in the light of European competition, the automatic extension of the intermediate tariff to the United States will produce serious inequalities. While a general raising of intermediate rates is clearly contrary to the whole spirit of the agreement, Canada will probably make a few minor upward adjustments of intermediate rates during the next year. The abolition of the duty on periodicals and magazines has aroused the most vociferous protests, but it must be remembered that those affected are in a good position to publicise their protests. This duty was first imposed in 1930. The Canadian circulation of many American magazines was curtailed, but a large number of the least desirable sort maintained

or increased their Canadian circulation by printing editions in Canada. In many cases the lower duties on manufactured goods will not materially affect the volume of imports, since such goods are often made in Canada by American branch plants. The Canadian consumer should benefit, however, through somewhat lower prices.

The agreement runs for three years and continues thereafter subject to six months' notice by either country. There is provision for abrogation within a 75-day period in the unlikely event of unsettled disputes over any future quota, exchange restriction or similar policies.

It is impossible to estimate in any detailed way the effects of so complicated a change in tariffs. Broadly speaking, the tariff reductions are genuine and fairly extensive, and reduce the general levels of the two tariffs to more or less the levels of 1929. Much depends on the spirit in which the tariffs are administered. Hitherto the administrative staffs on both sides of the border seem to have been animated by the idea that imports *per se* are evil and that the way of the importer ought to be made as hard and as inconvenient as possible. In the winter of 1931–32, for instance, it became profitable to sell Canadian canned tomatoes in the United States in spite of the high duties; but after one car-load had entered subsequent shipments were held up at the border for many weeks while the officials enquired whether or not the goods complied with pure food Acts, marking and labelling Acts, and half a dozen other Acts, until railway, warehousing and other charges had turned a small prospective profit into an almost complete loss. Lowering duties will not avail much if the spirit that produces such official obstruction remains.

The Canadian–American trade agreement impairs neither the letter nor the spirit of the Ottawa agreements, though it must have certain effects on Empire trade. Any benefits extended to the United States, not already conceded to Empire countries, will of course immediately be extended to them. Free entry for American oranges during the

most important months of the year will doubtless curtail the growing imports from South Africa and Palestine. Lower duties on industrial machinery are not likely to effect any diversion of trade. The lowering of American lumber duties will doubtless moderate the urgency of the political pressure that has been exerted by Canadian lumber interests in London to secure the limitation of Russian lumber shipments to the United Kingdom. The increased market for cream in the United States will diminish our dislike of New Zealand butter.

In conclusion two points of major significance may be noted. First, this agreement introduces for the first time the principle of unconditional most-favoured-nation treatment between Canada and the United States. Secondly, it is the most important major break in the post-war movement of steadily rising tariffs the world over. Canada may well hope that it will mark the turn of the tide.

Canada,
January 1936.

AUSTRALIA

I. The League and Sanctions

AUSTRALIA has kept in step with the rest of the British Commonwealth and the League in the imposition of economic sanctions against Italy. Proposed without any clear conviction that it would achieve any useful object, and opposed with heat but without effective alternative, the Sanctions Act 1935 became law on November 15—a brief and matter-of-fact measure, entitled baldly " An Act relating to the application of Sanctions against Italy." The Act makes provision, in one way or another, for implementing the four October proposals of the Sanctions Co-ordination Committee.* Earlier in 1935, the Government had taken power to prohibit the export of arms save under licence from the Minister, and by administrative instructions on October 17, before the Bill was introduced, it had already taken steps to prevent the export of arms to Italy. By November 18, the date fixed at Geneva, all the proposals were in operation in Australia.

The effect on Australian business is not likely to be considerable, apart of course from any retaliatory measures that may be taken by the Italian Government. Other markets can readily enough supply most of Australia's imports from Italy, averaging about £500,000 a year, and including chiefly such things as silk goods, hats, marble, sulphur, and edible nuts. Exports from Australia to Italy are more considerable. They have been much smaller since the depression, but have amounted recently to about £3 million—chiefly wheat, wool, meat, copra and zinc. No important item appears yet to have been included in the

* See The Round Table, No. 101, December 1935, p. 5.

prohibited list. How much of the non-prohibited trade will be retained is perhaps another question. But in any event Australia does not face grave economic dislocation as the inevitable result of imposing the sanctions so far agreed upon. Parliament could well afford to debate the Sanctions Bill, and did in fact debate it, on general grounds.

Not for many years has the House of Representatives had so full a discussion of international affairs. Indeed there has been discussion on the Italo-Abyssinian dispute and its implications ever since the end of September; for the session opened with a statement of policy by the Prime Minister, whereupon Mr. Beasley, the leader of the "Lang" Labour party in the House of Representatives, had moved by way of amendment that the House should formally declare Australia's neutrality in any war that might arise from the Italian designs in East Africa.*

Mr. Beasley's amendment was not negatived till October 11, when hostilities had already commenced and the Sanctions Co-ordination Committee was already at work. Voting took place strictly on party lines, Mr. Curtin (Mr. Scullin's successor) leading the "Federal" Labour party into the lobbies with Mr. Beasley's party. The debate was interesting as disclosing the view of inter-imperial relations at present held by some of the Labour leaders. The view of the Government was put by the Attorney-General (Mr. Menzies), with his customary lucidity. He contended that neither the Balfour declaration nor even the Statute of Westminster had set aside that common allegiance to one indivisible Crown which is the fundamental legal bond of Empire. From that legal unity he drew the familiar conclusion that if the King is at war all his subjects are at war, and accordingly that a Dominion which declares itself neutral in a war to which the British Crown is a party *ipso facto* repudiates its allegiance. In this view, such a declaration of neutrality is tantamount to secession. Mr. Menzies went on, of course, to admit that, though a

* See THE ROUND TABLE, No. 101, December 1935, p. 178.

Dominion could not as such remain technically neutral in the King's war, the extent of its actual participation in the war was a matter for its own determination. He set the policy of neutrality over against the policy of non-participation, seeing " an enormous gulf " between them. But that distinction was entirely lost on the Opposition—not so much because they did not understand it as because they proceeded from a view of inter-imperial relations that did not require them to draw it.

Mr. Frank Brennan, for instance, who as Mr. Scullin's Attorney-General had attended the Imperial Conference of 1930, expressed a view which is orthodox in the Irish Free State, and in some quarters at least in South Africa too. The fundamental fact, he said, is that a Dominion has now become " a nation, competent to speak for itself upon all questions whatsoever: among others, to declare war or peace". The fact that " the King who is King of Australia, and is advised by Australian Ministers, is also King of Great Britain and of the other Dominions " is accidental, not essential. The Crown is not one, but several. No doubt it was of non-participation rather than of neutrality in the strict sense that Mr. Brennan was thinking in this particular instance, and between non-participation (or " passive belligerency ") and actual neutrality the difference may seem rather academic. It is doubtful whether the description of the British Commonwealth of Nations by several Labour leaders in terms of a mere " personal union " represents any very widely held or clearly thought-out view, either in Australia generally or even in Australian Labour itself. But it is worth noting that the Labour leaders did adopt, on this occasion, the newest constitutional doctrines of what in Australia we are accustomed to regard as the " advanced " Dominions.

It was upon the basis of these discussions that the House proceeded to the debate on sanctions. The Bill was admirably introduced by the Attorney-General, who represents in the House of Representatives the Minister

for External Affairs (Senator Sir George Pearce). The Government has rested its case throughout on two simple principles—support of the British Government and support of collective security. It was upon the latter that Mr. Menzies concentrated.

> The policy of the Government of the Commonwealth is one of encouraging and strengthening the notion that the interests alike of civilisation and of good sense require that the business of preserving the world's peace should cease to be nobody's business and should become, if not everybody's business, at least the business of all those nations who exercise any substantial degree of authority or influence.

It was of the essence of the Government policy that sanctions should be genuinely collective. Hence the Act contains a special provision enabling the Governor-General to suspend the financial sanctions at any time. Hence also the Governor-General is empowered to terminate the whole Act if in his opinion the necessity for its continuance no longer exists. These safeguards would enable the Government to take immediate action if events occurred that deprived the sanctions of their " collective and effective character ". " Confronted by a choice between supporting the League, and thus doing something for the future collective security of the world, and rejecting the League, with all the grievous implications of such a step ", the Government was determined to implement its obligations under the Covenant.

Critics in Australia, as elsewhere, were not slow to point out that the Geneva proposals were far less comprehensive than the plain words of Article 16 of the Covenant. Mr. Menzies met this point by explaining with some care the relation between the terms of Article 16 and the League's resolutions of 1921. He summed up as follows:

> The procedure of the League of Nations during the last three weeks has been based upon these resolutions, which, as I have said, represent an attempt to give a fully workable character to the provisions of the Covenant. I may, perhaps, be pardoned if I pause to emphasise two points. The first is that the members

of the League have, without destroying the absolute nature of the obligation to impose sanctions, provided for a means of co-ordination which can, as in the present case, lead to the imposition of special or modified sanctions. The second is that a blockade, stated somewhat baldly in Article 16, is accurately treated as the kind of sanction which can be invoked only by special circumstances. . . .

The Sanctions Co-ordination Committee is not an instrument of the Council or of the Assembly, but is in substance a conference of League members to assist them in carrying out their obligations under Article 16. Its decisions are in a sense recommendations to governments and therefore the rules as to unanimity do not apply. It would be a mistake, however, to assume that because this committee is merely making recommendations its decisions may at will be ignored by Australia. What it is doing is to make recommendations to us as to when and how and in relation to what specific matters our obligations should be discharged. If we do not care to accept its recommendations, we are not thereby released from our obligations; if we refuse to come into line with other countries on the special non-military measures and means suggested, the only result is that we are remitted to our obligations under the Article in their absolute and unqualified sense. Honourable members will therefore at once see that while we have an effective voice through our representative on the committee, our freedom to accept or reject the ultimate recommendation of the committee, so far as it relates to economic sanctions, is nominal rather than real.

With one courageous exception (Mr. Blackburn, M.H.R.), both Labour parties strenuously opposed the Bill at every point. There has been a sharp division of opinion in Labour organisations in the constituencies, but not along the same lines as in Great Britain. The substantive grounds taken in Parliament have been isolationist rather than pacifist. To the Government's contention that Australia should follow the British Government, the Labour leaders replied by insisting on Australia's full independence. To the Government's contention that Australia should support the principle of collective security embodied in the Covenant, they replied that circumstances have so changed since the Covenant was signed that its obligations cannot now be regarded as binding, and that in any case " sanctions mean war". The attempt to show that the Covenant is no longer binding was a rather half-hearted one. The gravamen of

the Labour attack was that "a vote for sanctions means a vote for war".

What the Labour leaders had in mind in saying this was partly the fear that obscure and sinister forces had planned another world war, this time with "the collective system" and "the League principle" as slogans to enlist the support of the idealistic. The sudden fervour of the support that was forthcoming in unexpected places for the "sacred principles of the Covenant" intensified their fears. So did their recollections of the Sino-Japanese dispute in 1931–32. During the course of that dispute the Australian Government expressed itself as wholly in accord with the policy followed by the British Government, but refused to discuss in Parliament the issues involved. Australian opinion has never been very much alive to the considerations, economic, political and strategical, which in the minds of many well-informed people made impossible any collective action in the Pacific in 1931–32. The result has been that the failure to take collective action then was used in the crudest way as an argument for abstention now. It was also urged that the Covenant was now being used merely as a screen for imperialistic interests.

In any case, the Labour spokesmen contended, sanctions must of their very nature provoke war. For that view, they gave very distinguished authority. Had not Mr. Baldwin himself, for instance, said that "there is no such thing as a sanction that will work that does not mean war"? Sir John Latham, again, sometime Commonwealth Attorney-General and recently appointed Chief Justice of Australia, had written in a similar strain:

> The application of economic sanctions is not a substitute for war. It is really an act of war. Any one who remembers the nature and effect of the Allied blockade of the Central Powers in the Great War will hardly deny that a blockade is definitely an act of war. The prohibition of economic and other intercourse must involve, in many cases, if it is to be effective, the establishment of a blockade. . . . If the prohibition of intercourse is to be real and if it is resisted, then the governments

applying the sanctions must be prepared to see the matter through by the application of physical force.

Finally, there was the authority of Mr. W. M. Hughes, war-time Prime Minister of Australia and at that period Minister for Repatriation in Mr. Lyons's Government. In a book entitled *Australia and War To-day*, published actually during the debates on the Bill, he had said:

> All effective sanctions must be supported by adequate force. Economic sanctions which do not materially hamper Italy's warlike operations are not likely to deter her from aggression. If on the other hand sanctions that cut off her food supplies and raw materials, and threaten her line of communication, are applied she will use every means at her disposal to compel the nations responsible to abandon them. In the highly-strung mental state of the Italian people this means resort to force. . . . Economic sanctions are, therefore, either an empty gesture or war.

In all these cases, it is clear that the writer had a blockade in mind. The Labour speakers in the House were of course quick to point out that Article 16 of the Covenant did in terms impose an obligation to establish a blockade. But that did not prove at all either that the Government's support of the Covenant was illusory, or that the sanctions proposed by the Government necessarily meant war. The Government was in fact implementing Article 16 in the sense in which the League had agreed it should be interpreted, and in the process Australia was going as far and as fast as the rest of the "sanctioning" countries desired or would go. On the other hand, whatever might be said of a blockade, it could not be reasonably maintained that the refusal of loans and credits or the prohibition of imports and certain exports were in themselves "acts of war". The Japanese, indeed, had claimed in 1931–32 that the Chinese boycott amounted to an act of war, proclaiming their armed retaliation a legitimate measure of self-defence. But the opinion of the world had been heavily against them. True, even such measures might be forcibly resisted by a desperate opponent willing to range the whole League in

arms against himself. But the Government made a strong case for the view that the measures it proposed could and should be discussed as measures of peaceful constraint.

At this very point, however, difficulty arose about the views expressed by Mr. Hughes in his book. It was not a book on the League and the Italo-Abyssinian war, but a book on Australian defence policy, in which the question of sanctions against Italy was only incidentally, though trenchantly, discussed. Mr. Hughes' object was to arouse the Australian people to the need, as he saw it, for a vigorous policy of increased armaments, especially for service in the air. His thesis was that the League system had altogether broken down; that it could only have worked if the nations were prepared to back the Covenant with overwhelming force; that in fact they were not prepared to do anything of the kind, and therefore that each nation must now look to provide alone the means of its own security; that economic sanctions short of a blockade are an empty gesture, and that a blockade would involve war; in short that by whatever route Australia must face the necessity of increased armed preparedness.

With much of this thesis the Government would no doubt have been in agreement. The point of disagreement was narrow, but sharp. The Prime Minister at once requested Mr. Hughes' resignation, saying that his view "challenged the wisdom and sincerity of the Government's Sanctions Bill", and that on so vital a matter a divided front could not be permitted. A good deal of sympathy for Mr. Hughes was felt throughout the country. He has a strong following among returned soldiers, his views are already widely held, and many people who do not usually share his views felt that he had been treated rather severely. Nevertheless, the Prime Minister rightly regarded Mr. Hughes' statements as inconsistent with the views that the Government had expressed on the effect of its policy. The Opposition, with mingled delight and bitterness, treated the book precisely as impugning both the wisdom and the sincerity

of the Sanctions Bill. Mr. Hughes, they said, had had the courage to tell the country exactly what the policy of sanctions involved: it meant war, as they had said all along. On the whole, Mr. Hughes made the differences even more plain in the House by saying that he welcomed the Government's proposals for sanctions and proposed to vote for the Bill; that " we cannot allow the aggressor to go on his way and ignore both the law and the other peaceful nations "; and that he would not " hesitate to see this thing through ". Presumably his own policy would be to push on at once—subject of course to assurances of French support—to a blockade of Italy, realising that it would probably lead to war.*

The Opposition insisted that this was the true alternative to their own policy of non-participation in the imposition of sanctions. They agreed that economic pressure by a universal League might be effective. But under existing conditions the only thing to do was " to rely on the effect of our voice in contributing to the moral conscience of the world, and in persuading Italy to return to a sense of its obligations ".

Public opinion seems on the whole to have rallied strongly to the support of the Government. With striking exceptions, there has been too much emphasis on the legal and constitutional aspects of the problem to fire the imagination of the plain man. There has been too little public discussion of the positive general ideas underlying the collective system. But there has been a remarkable degree of support for the policy of sanctions, even though it is often treated almost as a *pis aller*: " after all, the only thing we can do under the circumstances ".

* Mr. Hughes has since been reappointed Minister of Repatriation. —*Editor.*

II. The Commonwealth Grants Commission

As will be well known to readers of The Round Table, the financial provisions of the Commonwealth constitution give financial predominance to the Commonwealth; among other provisions for transferring funds from the Commonwealth to the states is section 96, which authorises the Commonwealth to "grant financial assistance to any State on such terms and conditions as the Parliament thinks fit". For varying periods, Western Australia, South Australia and Tasmania had been in receipt of special grants by virtue of their financial embarrassments. The amount of these grants was frequently made the subject of enquiry by Royal Commissions, and they always caused a good deal of parliamentary heart-burning.

In 1933, however, in the hope of laying down some permanent principles upon which the financial relations of the Commonwealth and the less populous primary-producing states might be adjusted, the Commonwealth Government appointed a Commission for three years to investigate the claims for special assistance made by the three states just mentioned (the "claimant" states). This Commonwealth Grants Commission has made two reports so far, each of which is a perfect mine of information to the student of political institutions in actual working. The members of the Commission are able and experienced, and they have attacked the whole problem of finance and federation with patience and thoroughness. If the Commission had done no more than make acceptable recommendations for grants, so that the Commonwealth Parliament had only to enact the necessary measures to give effect to the recommendations, it would have served a useful purpose. But from one point of view this has actually been the least important part of its work. Of great and permanent interest are the conclusions it has reached upon the general problem entrusted to it.

On examining the financial provisions of the constitution, the Commission came to the conclusion that it would not have been wise or practicable to give to the central government financial powers less extensive or less flexible than it has at present. As the constitution stands, the Commonwealth has an exclusive power of customs and excise taxation and concurrent powers in direct taxation. Under normal circumstances this division of powers would place the Commonwealth in a position superior to that of the states, and the constitution made express provision in various ways for transfer of moneys from the Commonwealth to the states. In the Commission's view no federation could possibly escape from a system in which one government would raise money that another government spent. Full financial responsibility could not perhaps be achieved under such a system. But the Commission did not regard the Australian financial system as open to effective criticism on this ground. A survey of Australian finance showed in fact that there was a more or less continuous process of redistribution going on from the Commonwealth to the states. The Commonwealth raises taxation, broadly speaking, on the basis of taxable capacity, and distributes it directly or indirectly (either in services or in grants) on the basis of population. This definitely favours the less populous primary-producing states, in which taxable capacity is lower than it is in the manufacturing centres of the south-east.

Fundamentally, the Commission traced the unfavourable position of the claimant states back to the conflict between political and economic forces within Australia. Even at the risk of excessive quotation, perhaps it is best here to let the Commission speak in its own words :

Australia tends to develop into one large economic unit, and industry tends to specialise on that basis the manufacturing industries in the south-east, the rest of the continent being devoted mainly to primary industries. This trend was present before federation, and would have gone on if federation had not been brought about. The states could have interposed certain

more or less effective obstacles to it, but this policy would have been expensive to them. The effect of federation has been to increase the trend.

This integration of the economic unit is on the whole a benefit to Australia, and it is important that it should not be obstructed. Through it Australia as a whole will enjoy the maximum available standard. The difficulty is that political control over a large proportion of the activities of the community is exercised by states whose boundaries were defined about a century ago without any consideration of the economic position which would grow up. Unification is one solution. But all state governments of necessity are bitterly opposed to any move towards unification, and the peoples of the outer states feel, not unreasonably, that their specialised interests will be sacrificed if the majorities in the south-east have complete control.

From the administrative point of view the federal solution is justifiable because it secures effective decentralisation. The states have definite powers which cannot be overridden and are, therefore, able to assert and defend the interests of their constituents. Thus federation produces an all-round development more satisfactory and more representative than if all political and economic movement were canalised through one political organ. The federation undoubtedly produces difficulties, but these should be dealt with by conferences and discussions and a system of voluntary co-operation.

The result of the conflict is that the smaller and less developed *states find it considerably more difficult to provide the services* required for their people than those of the more developed states. Taxable capacity is small and the cost of developing farm industry, which falls on state governments, is far greater than the cost of promoting secondary industry through the tariff. A state which is carrying on the task of developing difficult areas may well need special assistance.

In determining the question of compensating a state for the disadvantages of its position, two questions must be kept carefully distinct. The Commission does not think that there can be any compensation for the effects of Commonwealth policy upon the *people* of a state, apart from such compensations or adjustments as may be provided by the Commonwealth Parliament itself as an inherent part of the policy. The Commission remarks that " legislation must be taken as setting the economic conditions under which a people must function ". From the point of view of Commonwealth policy the whole

country must be regarded as a unit, just as it would be under a unitary constitution. The Commission illustrates its point by referring to the fact that, when in England recently wheat and beef and other rural products were protected, the burden fell on exporting manufacturing industries, but no question arose of compensation to Lancashire. The Commission says again:

> When economic conditions are changed by legislation, people must adapt their activities to the new conditions, as they would to the effect of changes in the price-structure from any other cause. Population must be left free to move from occupations now become less profitable, and compensation would hinder the necessary movement. The obligation is on the Government not to make changes that require an impossibly rapid rate of transfer, just as it is to slow down the rate of transfer made necessary from other causes.

Compensation to the *government* of a state, however, is an entirely different question. A government cannot change its occupation or its place of residence. If Commonwealth policy imposes disabilities on a state in such a way as to impair the efficiency of its government, there is a real case for assistance by the Commonwealth. Further, the government of a state that is in a distressed financial condition may find it impossible to function at the minimum standard customary for governments in other parts of the federation. It may even threaten financial collapse. In such circumstances there is a strong case for Commonwealth assistance, quite regardless of the causes of the distressed condition of the state.

The Commission, after exhaustive examination, was satisfied that the protective system of the Commonwealth did affect adversely the less populous primary-producing states, but estimated that the injurious effects of Commonwealth fiscal policy were more or less offset by the benefits accruing under the system of revenue-distribution already referred to. Having reached this conclusion the Commission then turned to the other ground upon which special assistance could be supported, namely, the obligation of

the central government to grant to a financially embarrassed state such assistance as would enable it to function at a minimum standard. Upon that principle the Commission has acted in recommending grants for each of the three claimant states.

The fixing of a minimum standard involves questions of some nicety. Clearly the standard must be fixed in some relation to the standards of other states in the federation, but in Australia the fact that there are only six states, three of which are seeking financial assistance from the Commonwealth, greatly adds to the difficulty of fixing the standard. The three non-claimant states show great variations, and New South Wales presents so many abnormal features that the Commission decided, for the purposes of its second report, to fix a "normal" standard for Australian state governments by striking a simple average of Victoria and Queensland. In its first year's work the Commission struck an average of all three non-claimant states, but this principle was a good deal criticised.

The Commission in its last report took the view that a state seeking assistance should be required to make an effort greater than that necessary in "normal" states, so as to give it ample stimulus to escape from its position of financial inferiority, and so as to ensure that grants of special assistance should not undermine the sense of financial responsibility felt by the claimant states. In fixing the severity of the standard to be attained, moreover, the Commission thought it was equitable to pay some attention to the causes of embarrassment in the claimant states. In part, the inferior position of the claimant states has been due simply to the heavier developmental burdens that the less populous primary-producing states have had to bear. In so far, however, as the difficulties of a state have been demonstrably increased through its own extravagance or unwisdom, the Commission felt that its standard might properly be made more severe.

The assessment of grants is thus a matter of very

considerable difficulty, allowing wide margins for discretion. In the result, the Commission recommends for the current financial year grants to South Australia of £1,500,000, to Western Australia £800,000 and to Tasmania £450,000. These amounts are in each case rather more than those fixed for the previous financial year. On both occasions the grants were made by the Commonwealth Parliament as recommended. Some of the principles adopted by the Commission may be disputable, and there still remains work to be done on the statistical side, though much has already been accomplished in devising more accurate means of measurement. But on any footing it is hard to exaggerate the importance of the Commission's work in making possible the continuance of federalism in Australia. A system that enables each of the component states to function at approximately the normal standard is a system that offers some prospects of permanence. It should be remarked also that the Commission has so far not found it necessary to attach conditions to the grants it has recommended. The Commonwealth has paid the money to the states, leaving them free to pursue their own policies in expenditure. This again is an important contribution to the survival of federalism.

Australia,
January 1936.

SOUTH AFRICA

I. The Hoare–Laval Plan and After

SINCE the last number of The Round Table appeared, the international problems involved in the Italo-Abyssinian war have not lessened in number or complexity, and there have been two developments that demand comment in these pages. The collapse of the Paris peace proposals last month, and the possibility of the imposition in the near future of an oil embargo against Italy, raise issues of great importance for the Union and the other Dominions. Briefly, these issues can be resolved into two questions. If the proposed oil sanction is enforced by the League and leads to an attack by Italy upon one or more of the sanctionist countries, will South Africa fulfil her League obligations even to the point of war? Secondly, do the circumstances of Sir Samuel Hoare's resignation throw any light upon the future development of the relations between Great Britain and the Dominions in regard to foreign policy?

Let us consider first the question of an oil embargo. At the moment of writing it is impossible to say how far technical difficulties, combined with the necessary caution of Great Britain, as the chief target of Italian animosity, and the well-known reluctance of France to drive Italy to extreme measures, may delay or prevent the imposition by the League of this strict sanction, which might either end the Abyssinian war or start a European one. As far as the Union is concerned, there is no reason to think that her attitude towards the League or towards sanctions has altered or weakened since Mr. te Water's emphatic

pronouncement on the subject last September at Geneva.* South Africa dare not falter in her support of the League; for the League is for the small nations in general the best hope of defence against aggression; and South Africa in particular, that "Naboth's vineyard"—to use General Smuts' apt simile—desirable for its wealth, isolated, vast, and relatively weak, cannot afford to stand aside and watch inactively the weakening of her two bulwarks of defence, the League and the Commonwealth.

And constantly in South African minds, even of the "purified" type, there arises the question—"If Italian imperialism achieves by aggression its aims in north-east Africa, how long will it be before Germany follows the example thus set of profitable piracy?" And this question comes nearer home than Geneva or Addis Ababa. It was reported only recently that in South-West Africa orders from Berlin had compelled the fusion of the two German factions in the mandated territory, the Deutsche Bund and the Deutsche Front. The significance of this move and of its source was not altogether unappreciated in the Union; for the thought of a German colony re-established within a few hours' flying distance of Capetown is a disturbing one, and even Dr. Malan's partisans, in their enthusiasm for a general redistribution of colonial territories, claim South-West Africa as an exception. Lately, too, the official economic organ of the Nazi party in Germany uttered ominous words about the transfer of colonial possessions from weaker to stronger hands. Here again it does not elude notice that Lourenço Marques is within easy striking distance of the heart of South Africa, the Rand. There are few South Africans who do not realise that their country's interest is bound up with the existence of the *status quo* in southern Africa and in the maintenance, even at the cost of war, of the system of collective security which helps to defend that status from forcible violation. It is therefore reasonably certain that if an oil sanction is

* See The Round Table, No. 101, December 1935, p. 181.

imposed as a collective measure by the League, South Africa, like Great Britain, will as a member State follow wherever such a measure may lead.

Let us turn to the second issue, the implications of the Paris peace proposals in regard to Commonwealth relations. Here we saw the British Foreign Secretary executing a sudden and unexpected *volte-face* in a foreign capital and pledging his Government to a course of action which, however cogent his own reasons, went far beyond any concessions contemplated by his colleagues, and to which when the proposals were revealed a number of them showed themselves definitely opposed. If Sir Samuel Hoare acted in Paris without the full knowledge of his own colleagues in the United Kingdom Government, he acted far less with the knowledge or approval of the South African Government, which as a member of both League and Commonwealth had a very proper claim to be consulted before the British representative embarked upon a course of action that might be interpreted at least as side-tracking both the League and the other members of the Commonwealth. This was a situation in which South Africans, and not only those whom any text will serve for anti-British sentiments, might well say to themselves: "How can we continue to accept British guidance in foreign policy if it shows itself thus incalculable and inconsistent? How can there be any semblance of unity in Commonwealth policy if the British Foreign Secretary may run amuck at any moment?"

Such questions must have been at the back of a good many minds at the moment of the crisis, and might in time have provoked outspoken resentment. But the sound sense of British public opinion, in repudiating the proposals and in compelling the Government to repudiate their author, was prompt enough in its action to tide over a situation that might have aroused serious complications with the Dominions. Public opinion in South Africa was at one with that of Great Britain in its emphatic

condemnation of the proposals made in Paris. Even a confirmed Malanite observed (no doubt with an eye upon South-West Africa) that it was rather much to buy off the Italians by offering them more than they had conquered. Members of the Union Government, however, very correctly refrained from all public comment upon a matter which, however closely it might have affected South African interests, was none the less technically the concern only of His Majesty's Government in Great Britain. But their views were conveyed to the British Government through the Union High Commissioner in London, and no doubt went to reinforce the demand of the British public for the repudiation of the Paris plan.

And now that this curious and disturbing episode is over, there are certain useful deductions to be made from it. It has, in fact, given a glimpse of the cracks that may in certain circumstances develop in the structure of the Commonwealth, and of the difficulties inherent in reconciling diplomatic independence with effective unity of action. The best contribution the Commonwealth can make to world progress lies not merely in casting a solid block of votes for peace at Geneva, but in presenting to the world a working model of co-operation without compulsion. As things stand to-day, the foreign policy of the Dominions tends to hinge upon that of Great Britain, though each Dominion has the right to shape its own. In matters of major importance it is usually Great Britain that takes the initiative, whilst the policy of the Dominions has hitherto generally expressed itself rather as a series of reactions to the British initiative than as a positive and independent course of action. The future cohesion of Commonwealth foreign policy must depend upon the extent to which British foreign policy can command the confidence and sympathy of the Dominions. If the foreign policy of the Commonwealth is to present itself merely as the aggregate of some five or more policies which happen for the moment to coincide, then it is to be

feared that the chances of disruption are at least as great as those of the continuance of a fortuitous cohesion. Unity of action can be maintained only if the policy followed by the strongest partner and the one situated closest to the heart of affairs is based on certain definite principles clearly understood and freely accepted by the remainder.

In the first place, there must be consistency: it was the sudden somersault performed by Sir Samuel Hoare in Paris no less than the proposals themselves that aroused bewildered apprehension in the Union. The delicate mechanism of Commonwealth co-operation could not easily survive many more jolts of this kind. The Dominions must be able to feel assured that a policy to which they have pledged themselves, and whose success depends largely upon the power of British co-operation, is not going to be endangered by unpredictable eccentricities on the part of the British Foreign Secretary. Indeed, as has been said above, it is fortunate that on the present occasion the British Government was able to dissociate itself from the action of an individual Minister quickly enough and convincingly enough to avoid complications with the Dominions.

Secondly, there must be continuous rather than spasmodic consultation between the Dominion Governments and the British Government. This need for consultation was strongly emphasised at the Toronto Commonwealth Relations Conference of 1933, and is a vital one. Exchange of information and views after the event may allay apprehensions and restore some degree of confidence; but if real cohesion is to be maintained the Dominions must feel confident that in the future this exchange shall, as a matter of course, precede any serious change in the direction of foreign policy, rather than follow it in a desperate attempt to cover up a blunder.

Thirdly, British foreign policy must be a world policy, not a purely European policy. Past examples, for instance Lausanne and Locarno, have shown that where the British

Government enters into agreements based on purely European considerations the Dominions stand aloof in a quite natural unwillingness to lend their weight merely to shift or anchor the pieces on the European chessboard. As long as Great Britain can convince the Dominions that her policy in Europe is designed, not merely to effect the security of Great Britain and western Europe, but also to protect the integrity of the whole Commonwealth, so long will her policy command their confidence. Indeed, the reliance that the Dominions place upon Great Britain's influence as a world Power was lately illustrated by the complacent observation of Mr. F. C. Erasmus, one of the staunchest Republican secessionists, that the Union was in little danger from Japan, in view of the fact that a great British naval base (Singapore) lay between the Union and a possible invader from the East. If, however, for example, in order to make Germany a less dangerous neighbour in Europe, Great Britain were to barter with her at the expense of the Empire or to the detriment of the Commonwealth, or if in order to placate Japan she were to propose to dismantle Singapore, co-operation in the Commonwealth would collapse and the Dominions would be forced to seek security on other lines.

Finally, Great Britain's world policy must remain based on League principles. The British Commonwealth is in itself a miniature League based on the idea of collective action, and enough has been said in this and in the last Round Table article from South Africa to show how increasingly strong is the feeling of the Dominions that the realisation of this idea in world affairs is one of the best guarantees of their own peace and security. At the time of the recent crisis, the London *Times* very wisely observed that:

Even more significant [than the reaction of the British provincial press to the Paris proposals] is the reaction which comes from end to end of the British Empire, for it must never be forgotten that the League of Nations and the principles for which it stands

are an additional and an essential bond of union between members of our Commonwealth.

We would go even further, and say that in the future, as the independent nationhood of the Dominions grows more mature and exhibits a slow but steady differentiation of national character and internal policy, it is the ideal of collective action for peace which, next to the Crown, will be not merely an essential but *the* essential bond. It may be that the League of Nations as at present constituted represents a premature and over-ambitious attempt at universality, and that under the stress of present difficulties this attempt may break down. But the principles on which it is based are deep-rooted and will remain. And it may well prove that the future of the British Commonwealth lies in providing the world with a nucleus of peace-loving nations which will gather round it, by the attraction of common interest, other like-minded peoples such as those of Scandinavia, not necessarily in a political union, but in a close association in the cause of peace. But whether the League of to-day survives its present trials and emerges stronger thereby, or whether the hope of the future lies in a new League based on the British Commonwealth and spreading out more slowly, but more firmly from more modest beginnings, the present crisis will have served some purpose if it convinces Downing Street that the ideals of the League, if not its present form, will prove in the future the strongest practical sentiment linking together the members of the British Commonwealth.

II. The Native Bills and Native Opinion

IN the September number of The Round Table * there appeared a full discussion of two Bills, the Representation of Natives Bill and the Native Land and Trust Bill, which had been drafted by a Joint Committee of the two Houses. This report, the outcome of several years' work, was

* See The Round Table, No 100, September 1935, pp. 722 *et seq.*

published in May 1935. It was not put forward as the considered policy of the Government; indeed, it was plain that opinion on the Joint Committee, even Ministerial opinion, had been much divided, more especially on the score of the retention or the abolition of the Cape native franchise. The two Bills are to be introduced early in the parliamentary session that began on January 24, but the Ministry has wisely and justly decided to introduce them as non-party measures. Had they decided to push them as Government measures, there can be no doubt that both would have been carried more or less as they stand, including the proposal to abolish the Cape native franchise; for they would have been sure, as General Hertzog's Pact Ministry was never sure, of the requisite two-thirds majority of the two Houses sitting together. As it is, the fate of the Bills is in the lap of the gods.

It is not the purpose of this article to discuss the virtues and defects of these measures, or their probable fate. All that will be attempted here is to note the attitude that the South African natives, the Bantu, have taken up towards them. Both Bills have long histories. The very few leading South Africans, and notably the late Mr. W. P. Schreiner, who advocated a loose federation rather than a legislative union in 1908–9, did so mainly because they believed that under Union the other three provinces would seek to destroy the non-racial franchise of the Cape. They scouted the idea, genuinely held but in their opinion erroneous ("the imperial illusion", Mr. Schreiner called it), that the Cape liberal policy, being well tried and just, would leaven the lump. They feared the lump would dissipate the leaven, and events would seem to be proving them correct. The right of the Cape Bantu to acquire the vote on the same terms as Europeans and coloured men has been in jeopardy ever since General Hertzog introduced his comprehensive segregation scheme in 1926. Its value was immensely reduced in 1930 when his Pact Ministry gave European women the vote throughout the Union, and

almost cancelled in 1931 when the same Ministry relieved European men in the Cape and Natal of the property and educational qualifications that had hitherto been demanded there of men of all colours, and gave them the vote on the purely racial basis that had always been the rule in the two ex-republics.

The projected Native Representation Bill brings the franchise issue to a head. Coloured men (mixed breeds) are not affected thereby, for their affairs are in the hands of a commission which has not yet reported. Again, Bantu who are already on the Cape voters' roll, some 10,000 in all, are to remain there. But the rest of them, and all the Bantu in the other three provinces, are to be represented by four European senators and, if the experiment is working well seven years hence, by six, in addition to the four senators who have always been appointed by the Governor-General since Union to speak for native interests. Cape natives are also to elect two members, who may be non-Europeans, to the Cape Provincial Council so long as that body continues to deal with certain specified native concerns. There is also to be a purely advisory Native Council, under strict official control, consisting of chiefs or representatives elected by various native boards and councils for four large constituencies: the Cape Province proper, the Cape native territories beyond the Kei river, the Transvaal and Orange Free State, and Natal and Zululand.

The roots of the Native Land and Trust Bill run back as far as 1913. Under the Native Lands Act of that year, the Bantu were deprived of the right to acquire land outside their existing reserves and such other areas as might be allotted to them. The prospect of additional land was thus the *quid pro quo* for the loss of very real and valuable rights. This Act was not applied to the Cape Province because the Courts held that, so long as landholding was one means of acquiring the vote, the Bantu must be free to acquire it along that line. This decision, as opponents of the projected legislation have been quick to note, is the link

between the Representation and Land Bills; for once the Cape Bantu lose their right to the franchise they will lose their right to acquire land in their own province outside limited areas.

Various commissions have suggested additional native areas, and Bantu outside the Cape Province have long been permitted by the Executive to acquire land here and there in the areas common to the commissions' reports. So far, however, there has been no finality in the matter. The projected Bill proposes to achieve that finality. The position is as follows. The total area of the Union is some 302,000,000 acres. Of these some 22,000,000 are reserved lands. It is now proposed to release an additional 15,500,000 acres or so adjoining the reserves. These may be acquired either by the Native Trust, which is to be financed by a parliamentary grant and by rents and other monies accruing to it, or by individual natives. Much will depend on the size of the parliamentary grant, for our Bantu are not wealthy; but if all goes well rather more than 12 per cent. of the total area of the Union will be set aside for the Bantu. This, as the Minister for Native Affairs justly observes, is not so one-sided as it appears at first sight, because much of the 88 per cent. allotted to Europeans is very poor and barren country, while some of the existing native reserves are in the best parts. That is true; on the other hand, it must be confessed that other native areas are also poor stuff and, in any event, are full, while, as far as can be judged, many of the proposed released areas are full also. Finally, though this did not arise from the Joint Committee's report, the Urban Areas Bill will limit still further the right of the Bantu to dwell in towns, and will thus tend to keep them either in their own rural areas or on European farms.

Native comment on these Bills has been abundant. An emergency meeting of the Cape Native Voters' Convention, held at East London in July, gave the lead. This meeting fastened, as was natural, on the Representation Bill, and condemned it on the grounds that the Cape native

franchise had never been abused since it was granted eighty years back; that

> the confiscation of citizenship without rebellion or treason is an irregular and unprecedented course on the part of any modern state;

and that the Cape franchise was to the Bantu

> a dearly prized symbol of citizenship . . . held in trusteeship for the future of all other races in the Union who aspire thereto as the consummation of true citizenship.

Finally, it begged humbly that Government would allow "at least twelve months" during which the Bill might be considered and constructive criticism be offered.

The Government then very wisely decided to submit the Bills to five native conferences consisting of chiefs, prominent natives specially invited, and representatives of native councils and boards. These meetings were held during September. The first, at Pietermaritzburg, represented the Bantu of Natal–Zululand. Speaking through the mouth of the Zulu Regent, head of the most conservative tribe in South Africa, it declared that it did not want to be represented in Parliament by European senators, but much preferred to lay its views before Government "as on this occasion, without a European intermediary". This conference, and those held subsequently at Pretoria for the Transvaal and Free State Bantu, and at Mafeking for those of British Bechuanaland and Griqualand West, expressed satisfaction at the idea of a Native Representative Council; for that would simply carry a step further the system of native conferences instituted by the Smuts Act of 1920.

At this stage qualified approval ceased. The Pretoria and Mafeking conferences condemned the proposed abolition of the Cape native franchise as a backward step; while those held at Umtata for the Transkeian Bantu, and at Kingwilliamstown for those of the Cape Province proper, were even more outspoken. General Smuts had done his best to pour oil on troubled waters in advance. He, with his

fellow Ministers, Mr. J. H. Hofmeyr (Interior) and Mr. R. Stuttaford (acting Minister for Native Affairs), had voted in the Joint Committee against the proposal to debar Bantu in future from enrolment in the Cape, and had since declared that, while he would not advocate the extension of that franchise beyond the Cape, he was opposed to taking away privileges that had been enjoyed for so many years. At Umtata he reiterated his views, but begged the assembled chiefs and native leaders to face the fact that the franchise might have to go and, in view of that possibility, to seek means of making the alternative Native Council a success. It was in vain. The Umtata conference declared that abolition would be "a surrender to the dictates of race prejudice"; while the Kingwilliamstown assembly resolved that it would breed "a disgruntled ex-voter population, . . . a semi-slave or helot group" (shades of Lord Milner!), and gave fair warning that it would drive the Bantu to identify themselves with "anti-white propaganda, especially that generated in all Africa by the Italo-Abyssinian conflict".

Such was the opinion of these officially summoned conferences on the franchise issue. Any small satisfaction that the authorities may have gained from the Pietermaritzburg meeting with its strong Zulu element was, in large measure, cancelled by the resolutions of a subsequent conference of Natal chiefs and headmen held at Ladysmith in October. This meeting resolved that the Cape franchise ought to be extended to the other provinces; that native representation through European senators was useless; but that, meanwhile, the projected Native Council was welcome as a stop-gap until such time as the Bantu outside the Cape had acquired the vote. And they appointed a committee to consider these and cognate matters more fully.

Touching the Land and Trust Bill there is little to record. The Pretoria conference really spoke for the rest on this head. It was in a good position to do so because it was

attended by the acting Minister and the Secretary of Native Affairs and the chairman of the standing Native Affairs Commission. Where precisely, asked the Bantu, were the proposed new areas? What was the quality of the land? What was the density of the population thereon? Could not a mixed commission be appointed to go into all these points? Further, they asked, how could they be expected to give a considered opinion on the two Bills when they had only had a fortnight's notice of the conference, no advance copies of the Bills and, even when copies were forthcoming, none in their own vernaculars? "It is the intention of the Government", they noted, "to take a native census in 1936" (the first for fifteen years). Could not the Bills be held over till that was completed? "Let us not", said one chief, "rush this thing or we will make serious mistakes".

The criticisms of these conferences, and especially their demand for more time, have been endorsed by the conferences of the Presbyterian and Congregational Churches of South Africa, and by the Cape district synod of the Wesleyan Church. But from the non-European point of view the whole issue was summed up by an unofficial convention of native leaders from all parts of the Union, reinforced by a few from imperial Basutoland and by delegates from the African Peoples' Organisation, which speaks primarily for the coloured men of the Cape. Nearly 400 delegates met at Bloemfontein on Dingaan's Day (December 16) and the two days following. Many of them, certainly most of the speakers, were educated and urbanised Bantu for whom very little provision is made either politically or economically in the projected legislation. By a great majority they resolved that there could be no substitute for the right of citizenship; that political segregation would breed two nations which must inevitably clash; and that the right policy was one of political identity, as the history of the Cape Province for a century past had proved, a policy that would in time lead to the

creation of a South African nation in which, while the various racial groups may develop on their own lines socially and culturally, they will be bound together by the pursuit of common political objectives.

At the same time they were prepared to face a demand for qualifications.

We recognise (they said) that the exercise of political rights in a democratic state demands the possession . . . of a reasonable measure of education and material contribution to the economic welfare of the country. The Convention is therefore not opposed to the imposition of an educational, property or wage qualification . . . , and believes that such measures would adequately protect the interests of the white population in whose favour the dice is already heavily loaded in view of the extension of adult suffrage to white men and women.

A minority, apparently from Natal and Bechuanaland, desired to make the best of the proposed Native Council; but the majority would have none of it, since in their view the functions of such a body were already provided for satisfactorily under the Smuts Act of 1920. For the rest, they resolved to petition the Governor-General to withhold his assent to the abolition of the Cape native franchise, to appeal to the King and the British Parliament "for an expression of their opinion" thereon, and to commend the study of the proposed legislation to the native inhabitants of the imperial protectorates.

On the score of the land, the convention welcomed the creation of a Trust provided it were adequately financed, but held that the additional areas were too small to be of real service, and repeated the request of the earlier conferences for fuller information and more time for consideration. "The meeting broke up with cheers and the singing of a Psalm".

From it all emerge three conclusions. First, many of the Bantu are prepared to consider the Government's land proposals on their merits. Secondly, some of them are ready to accept the projected Native Council, if only as a stepping-stone to higher things. Thirdly, practically all

are unalterably opposed to the abolition of the Cape native franchise. May not the way out, at all events for the present, be to retain the Cape native franchise, and to set up the Council for the Bantu in the other three Provinces? That at all events is a solution that has been talked of hopefully by more than a few Bantu and Europeans.

Tengo Jabavu, the noted Cape Bantu politician and journalist thirty years ago, whose son, a professor at the Fort Hare Native College, presided over the Bloemfontein Convention, always used to say that the Afrikanders and Bantu were the only peoples in South Africa who understood politics. No one who recalls the record of the Afrikander Bond would deny that tribute to the Afrikanders. The performances of these Bantu conferences would suggest that Jabavu was right also as touching his kinsmen. It would seem to be a strong argument against depriving any of them of political privileges. Or is it an argument that tells the other way?

III. The Political Situation

IT cannot be said that any marked development has taken place since the situation was last described in these pages.* Bye-elections for the House of Assembly and the Provincial Councils, in so far as definite conclusions can be drawn from them, point to the Orange Free State and the country districts of the Cape Province as the main strongholds of the Opposition party led by Dr. Malan. His followers' main lines of attack on the Government in the campaigns of the parliamentary recess were on familiar ground. Through its inadequate taxation of the gold-mining companies and its compromising relations with the British Commonwealth the Government had sacrificed the national interests to the twin enemies of capitalism and imperialism. Along both these lines the followers of Dr. Malan are moving more and more definitely towards

* See The Round Table, No. 100, September 1935, p. 840.

the republican ideal. The acceptance by the Government of the resolutions of the League of Nations and the imposition of sanctions against Italy are used as a new illustration of the danger to which South Africa is exposed of being dragged into European wars in the wake of British imperial policies. It would be idle to deny that this propaganda, placing in high relief the risks of war, the distresses of the farmers, and the swollen profits of the gold mines, has, at any rate in certain parts of the country, had its effect in undermining the feeling of confidence in the Government that marked its accession to office.

The economic troubles of the farming community provide a natural source of discontents to town and country alike. The policy so far pursued by the Government of maintaining an internal price for such products as maize, wheat and dairy produce, much higher than the world market price, through the subsidised export of the surplus, has led to its inevitable result. Production, so far from being discouraged, has increased. The surplus to be thrown on the world market steadily grows unless restricted by climatic conditions. The consumer revolts against being compelled to pay high prices for the necessaries of life while being taxed to enable the producers of these articles to sell them at a far lower figure to the peoples overseas. The urban population threatens withdrawal of its support if this policy is continued. The farmers are equally insistent that it shall not be abandoned unless an equivalent protection is provided for them in some other way. Members of the Government in their public speeches have foreshadowed measures to be taken for increasing the internal demand for these products, but, short of a considerable reduction in price—which would obviously not be acceptable to the producers—it is not clear how that end is to be attained. Free milk is being supplied to school children, and butter and other dairy produce to various charitable institutions, and we shall no doubt

heat when Parliament meets what, if any, other plans have been devised for utilising agricultural produce to a greater extent inside the country. But it seems improbable that any scheme can be devised that will provide an immediate solution of the difficulties. We are held in the old dilemma of surplus production on the one side and artificially maintained internal prices on the other.

Another question that will come up during the coming session is the promised adjustment of the taxation on the gold mines. The various formulæ that have been in force since 1933, when the so-called excess profits tax was first introduced, have given rise to much difficulty and dissatisfaction. Apart from complaints against the amount taken by the Treasury, the unequal incidence of the tax as between one mine and another has been a very fruitful source of trouble and irritation. A departmental committee was appointed last year to take evidence and consider alternative proposals. It is understood that the Minister of Finance has received their report, but it is unlikely that he will make any announcement until he lays his budget before Parliament. Whatever his decision may be, there is certain to be an attack on the Government from two opposite points of view—one that the burden laid on the mines is too heavy, the other that the "mine magnates" (in which term apparently are included all share-holders in mining companies) are being allowed to appropriate excessive profits at the expense of the people.

The Bills dealing with native representation and native lands, which have been discussed in the previous section, are not party measures in the ordinary sense, and it is certain that some, at any rate, of the provisions of the former Bill will not receive the support of all the members of the Government party, or even of the Ministry itself. What the attitude of the main Opposition party will be is not yet clear, but the discussion of these measures will occupy a considerable part of the session.

THE POLITICAL SITUATION

he death of King George called forth a widespread ıtaneous expression of grief throughout the Union. is long reign, with its many times of trial and its far-hing constitutional changes, His late Majesty had won for ;elf the trust and affection of the people, untrammelled heir political divisions. We unite in mourning his

›uth Africa,
January 1936.

NEW ZEALAND

I. The General Election: Labour's Victory

NEVER in New Zealand's history has there been a turn-over in politics comparable to that produced by the tidal wave at the elections held on November 26 and 27, which drowned the Democrats, swept away the National Government, and landed the Labour party on a veritable Mount Ararat of domination to form for the first time in New Zealand a Labour Government.

The following comparison of the state of parties before and after the elections tells the tale of the overwhelming Labour victory.

	At dissolution	*New Parliament.*
Nationalist	46	19
Labour	24	55 †
Independents and others * .	10	6
	80	80

* Including, at the dissolution, two Independents turned Democrat. No Democrats were returned

† Including two Maori members.

Although Labour secured such a triumph, it was returned by a minority vote, the votes polled (90 per cent. of the electorate) being as follows:

Labour . . .	(53 seats)	389,912
Nationalist . . .	(19 seats)	280,267
Democrats . . .	(no seats)	64,518
Communists . .	(no seats)	620
Others * . . .	(8 seats)	116,406
Total		851,723

* Including two Maori members who will support Labour.

Three Cabinet Ministers were defeated—Sir Alexander Young (Health), Mr. J. Bitchener (Public Works) and Mr. C. E. Macmillan (Agriculture). The Democrats, submitting 51 candidates, did not win a single seat, and lost two sitting members of Parliament who had been Independents. The Prime Minister, Mr. G. W. Forbes, was elected on a minority vote, his opponents being an Independent and a prominent official of the Douglas Social Credit organisation, standing for Labour; while Mr. J. G. Coates was hard pressed by Mr. W. Grounds (Country party), and retained his seat by a narrow majority. Among the defeated candidates was Sir Alexander Herdman, a former Attorney-General of the Reform party and Judge of the Supreme Court, who the day after his retirement from the Bench announced his candidature with a violent partisan attack upon the Government. The country's heaviest loss was the defeat of Mr. W. Downie Stewart, former Minister of Finance. With his financial and economic knowledge and experience, his lucid and temperate criticism, and the esteem in which he is held by the Labour leaders, he would have been invaluable in the ranks of the Opposition in pointing out any unsoundness in Labour's financial proposals. No woman was elected.

Labour itself, although confident of success, never anticipated much more than a bare majority. Several factors contributed to the surprising result. There was widespread dissatisfaction with the National Government, its opponents complaining that it protected the farmers and neglected the commercial and manufacturing interests, that it had violated the sanctity of contract and developed what has been called the "debtor mentality," that it was steadily drifting towards socialism and suppression of private enterprise. The inevitable cuts and economies of a depression period combined with a strong public hostility towards Mr. Coates, the veritable, although not the nominal, leader of the party, to make a large body of voters determined to turn the Government out of office at any cost.

Another factor was the Government's failure to introduce a system of preferential voting. Every seat was contested and in several there were five or six candidates representing different interests. The Democrats proved a good ally to Labour, both by their vigorous attacks upon the National Government and by the votes that they secured. While each of ten Labour candidates gained a majority of 4,000 at least, 19 seats were won by Labour on a minority vote. It can by no means be assumed that in a straight contest every Democrat vote would have been cast for the Nationalists and not for Labour, but the party undoubtedly counted upon securing and must have secured a substantial number of votes from people who wanted to put the Government out but not to put Labour in. Even neglecting the Democrat vote altogether, the indications are that on a preferential system Labour would have lost at least twelve of the seats it secured.

A third factor was the adherence of the Douglas Social Credit supporters to Labour. The Douglas Credit organisation in New Zealand is vigorous and has many members, and, untaught by Major Douglas's sorry exhibition before the Monetary Commission here, it has been active in propaganda work throughout the country. The banks and other institutions likely to be affected by its plausible proposals have until the eleventh hour treated it with silent contempt instead of instituting a counter-attack by means of attractive pamphlets and able speakers. Labour's "intelligent credit" policy was so enunciated as to appear to banking interests the Big Bad Wolf dressed up in a green Douglas Credit suit.

At least as important as these factors were the strength and driving power of the Labour organisation, its determination to take full advantage of the swing of the pendulum, and its will to win.

The election campaign, speaking generally, was contested in a spirit of sportsmanship and good temper. An Australian, whose first experience it was of a New Zealand

election, was struck by the absence of rancour and the freedom from personalities, vituperation and violent language. There was little that was novel in the way of "putting it across." A suggestion was made that the party leaders should broadcast from the government stations, but there were difficulties and it fizzled out.

Sanctions having been provided for to the satisfaction of everybody, and defence gaining scarcely a reference, the election was fought on purely domestic questions. The main planks in the programmes of the three parties were set out in the December number of The Round Table.* The chief objectives of the three main parties were identical. All aimed at budgetary stability, the restoration of the civil service cuts, the establishment of schemes for compulsory national superannuation and national health insurance—free medical attention from the cradle to the grave, as one Labour candidate put it—the solution of the unemployment problem by the development of schemes of national, local and private enterprise, and by co-ordination between public works and unemployment policies, and the revision and improvement of our educational system. All three stood, too, for support of the Covenant of the League of Nations and the solidarity of the British Empire.

II. The Financial Problem

BUT it was on the question of ways and means that the three parties joined issue. The Nationalist Government weathered the storm and realised its responsibilities. It knew the country's financial limitations and made the establishment and extent of its schemes dependent upon the permission of financial conditions. If taxation was to be reduced rather than increased, it was aware of the difficulty of raising money to finance expensive schemes of social services. It had made definite provision in advance for

* See The Round Table, No. 101, December 1935, pp. 202 *et seq.*

superannuation, for the extension of public works, for housing, on which last scheme Mr. Coates brought out the last of his now familiar blue booklets. This might mean only a modest advance towards the millenium, but one that the National Government claimed that the country could afford and that could be realised.

For the high exchange premium on London, Labour proposes to substitute gradually a scheme of guaranteed prices to farmers; butter-fat prices will be based on the average of receipts for the last 8 or 10 years, and mortgages will be adjusted on the same basis. The Democrats offered in place of the exchange premium an export subsidy to farmers.

The Labour party is going not only to guarantee prices to farmers by a scheme vaguely conceived and differently interpreted by Labour candidates, not to say riddled by practical criticism, but also to fix by legislation a statutory minimum wage and salary for every person in the Dominion. According to Mr. Nash, the new Minister of Finance, "within a month of the Labour party coming into power no child and no mother will be without the necessities of ordinary decent living." Labour proposes to carry out its programme of guaranteed prices and wages and increased social services, involving an additional expenditure estimated by opponents at from thirty to forty millions a year, without borrowing—subsequently limited by Mr. Savage, the new Prime Minister, to overseas borrowing—and without increased taxation.

The Labour party is now in power pledged to expensive and undigested schemes, with a majority enabling it—if so inclined—to try experiments however rash and at a cost however great. It is pledged to give effect to its programme by "assuming control of the central credit system of the Dominion to ensure the maximum utilisation and distribution of the resources of the Dominion"; in other words, as the present Prime Minister explained, it is the intention of the Labour Party to control currency

and to make an intelligent use of the public credit of the country, apparently without cost to its people.

The speeches and actions of some of the present Cabinet Ministers indicate how this may be done. In one speech Mr. Savage said, in reply to a question in the *Gisborne Times*, "Where was the money to come from?", that the Labour party would take control of the two banks that belong to the nation, that is to say, the Reserve Bank and the Bank of New Zealand. In another, when asked how he would complete the Napier–Gisborne railway line —a promise he has definitely given—he said that when Parliament had determined to complete the line the cost would be assessed at, say, two millions, and

> credit would then be issued for that amount, using the same instruments of exchange as now. There would be no tax on the public credit. I would sooner owe £5 to myself than to the Editor of the *Gisborne Times*. There you are then. I don't think I have left out any detail except the colour of the notes.

The *Evening Post*, Wellington, pointing out that this meant inflation of the currency, added, "Mr. Savage has shown that the currency will have a pronounced water-mark, so much so that the electors will never see the colour of their money." Mr. Nash has stated that the Labour party would purchase private shares in the Reserve Bank, making it a government credit authority, which would stand the deficit between world prices and guaranteed prices. The excess in boom years would create a reserve fund. Mr. Mason, the present Attorney-General, not long ago introduced into the House of Representatives the National Credits and Currency Bill, which was described by Professor Murphy as based on the fundamental Douglas fallacy that there is a permanent shortage of money in the economic system, and which openly set out to fill this gap by advocating state creation of currency and its free distribution.

The criticism of Labour's monetary policy was thus voiced by the *Evening Post*:

> If the Reserve Bank is to be the national credit authority to provide a money service sufficient to give effect to the will of Parliament, and that will be the will of Labour politicians who have lavishly promised their way into office, it will inevitably lead to inflation, to the depreciation of currency, the impoverishment of people dependent on savings and fixed incomes, to a desperate race between wages and prices as the latter rise and the purchasing power of the former falls, and then to further inflation,

with the disastrous consequences that have resulted in every country that has tried it.

The vital question for the country is whether, when the Labour Cabinet seek to implement their promises, they will realize that they are impossible of performance and that inflation only spells disaster; whether, following Mr. Aberhart in declaring that their pre-election promises were only figures of speech, they will content themselves with extending as far as funds permit the programme common to the three parties, thereby ensuring the support of the business and commercial community but disappointing the extremists; or whether they will disregard the lessons of history and the sound principles of economic control, and inflate the currency in order to experiment with a Utopian programme.

III. The New Government

THE calibre of the members of the Labour party has made a favourable impression, and the general opinion is that the present House of Representatives will be superior in education, intelligence and experience to that just deceased. We may look forward to more vitality, enthusiasm and careful study of the questions with which Parliament has to deal. While the occupations of the new members vary considerably, the majority have not only held office in Labour organisations, but have also a fine record of service on local bodies, such as municipal, educational, hospital and harbour boards. Several of them served with distinction in the war. There are

six university graduates in the party. The team includes several men of substance, and natives of England, Scotland and Australia as well as New Zealanders. Each of the two Church of England secondary schools, Christ's College and Wanganui College, which pride themselves on "turning out gentlemen," has contributed from its Old Boys a Labour member. Youth will be served, too, for there are three members under 30, and the average age of the members is considerably lower than that of their predecessors.

Soon after the announcement of the Labour victory the new Prime Minister summoned a meeting of all the Labour members at Wellington. This caucus entrusted the selection of the Cabinet to Mr. Savage and later unanimously approved his choice. He and his colleagues were sworn in on December 6. The members of the Ministry are as follows.

Mr. M. J. Savage: Prime Minister, Minister of External Affairs, Native Minister.
Mr. P. Fraser: Minister of Education and Health.
Mr. W. Nash: Minister of Finance and Customs.
Mr. D. G. Sullivan: Minister of Industries and Commerce and of Railways.
Mr. H. G. R. Mason: Attorney-General and Minister of Justice.
Mr. H. T. Armstrong: Minister of Labour, Immigration, and Employment.
Mr. R. Semple: Minister of Public Works and Minister of Transport.
Mr. W. E. Parry: Minister of Internal Affairs.
Mr. P. C. Webb: Minister of Mines.
Mr. F. Jones: Postmaster-General and Minister of Defence.
Mr. W. L. Martin: Minister of Agriculture.
Mr. F. Langstone: Minister of Lands and Commissioner of State Forests.
The Hon. M. Fagan, M.L.C.: Leader of the Legislative Council and Minister without Portfolio.
(Most of the Ministers hold also subordinate portfolios).

Of the twelve members of the Cabinet in the House of Representatives eight are from the North and four from the South Island, while nine represent urban constituencies,

the cities having been the party's stronghold from which the Old Guard of the Cabinet are drawn. A welcome feature is the number of Ministers who have had practical experience from the bottom upwards of the affairs that they will have to administer. Of Mr. Savage one hears little except eulogy of his straightness, his modesty, tact and courtesy. The press and the people recognise that the key position will be held by, and the heaviest responsibility devolve on, Mr. Walter Nash, and his appointment to the position inspires confidence in the country, as he is "a level and keen thinker with unlimited reserves of energy and persuasiveness," knowing the difficulties and expected to approach them with a sane mixture of courage, enterprise and caution. He is a successful business man who for some eight years held the position of Secretary of the Labour party and who has made a special study of financial and economic questions. A vigorous speaker, combining lofty humanitarian ideals with a hard-headed and common-sense outlook on life, he is a thoughtful and thorough student of modern problems and a tireless worker. He was a representative at the International Socialist Conference at Geneva in 1920, the conference of the Institute of Pacific Relations at Banff and the British Commonwealth Relations Conference at Toronto in 1933, where his ability made a strong impression upon his colleagues from other parts of the Empire. If he has a bee in his bonnet, it is that of "the orderly marketing of primary products on a quota basis with reciprocal agreements for the expenditure of the credit derived from the sale of the products in the importing countries"—a theme that he propounded at the Banff Conference.

The new Minister of Mines, Mr. P. C. Webb, has been engaged in coal mining for many years and was President of the State Miners Union. He knows the mining business inside out. Public Works is a suitable portfolio for Mr. R. Semple, a practical miner who has been engaged in co-operative tunnelling at Otira, a miners' agent and

ctor. He has had considerable experience of local
; on the Wellington City Council and Harbour
l, and possesses plenty of experience and driving power
: that our public works are rapidly and economically
; but he has the defect of his quality in rashness
irresponsibility of speech, which may cause his col-
es some anxiety. Mr. D. G. Sullivan, who is Mayor
iristchurch, has shown himself particularly interested
ie development of secondary industries. He was
ially a french polisher, and visited Australia and the
:d Kingdom, working his way from place to place
gaining a wide experience of industrial life in those
tries. Mr. H. T. Armstrong has run the gamut of
jobs—flax-milling, bushman, gold and coal miner,
ay construction worker, water-sider and brick-yard
oyee—has held high offices in the Federation of Labour
he Workers Union, has been Secretary of the Christ-
:h Tramway Employees Union, was for several years
mber of the Christchurch City Council, and has taken
at part in the championship of the cause of the unem-
·d and the alleviation of their sufferings.

Attorney-General the country has a lawyer again
id of a layman. Mr. H. G. R. Mason has been in
ice as a barrister and solicitor. He has, while in
sition, initiated and piloted through Parliament
te Bills on two or three occasions, a rare achievement,
he can be relied upon for active and sympathetic
:rnisation of the existing law. Agriculture is in the
s of Mr. W. L. Martin, an experienced farmer, who
appointed President of the Waikato Farmers Union
:he Executive of the Auckland Farmers Union. Mr.
Fraser, the New Minister for Education and Health,
ce Messrs. Semple and Webb, one of the Old Guard
abour, and has from early manhood been associated
the Labour movement, first in Scotland and then in
Zealand. He is a member of the Wellington City
icil and Harbour Board. He has always taken a keen

interest in educational matters and will infuse fresh vitality into our educational system and the reforms for which it has been ripe for some time past. He has been closely associated with the W.E.A. since its inception.

It will be interesting to see what provision the new Cabinet will make for the equipment and training of our navy and volunteer land forces. The portfolio of Defence, together with that of Postmaster-General, has been allotted to Mr. F. Jones, but it is prophesied that he will hold it temporarily and be relieved of it later by Mr. J. A. Lee, who has been appointed a parliamentary under-secretary. The latter has worked on farms and later been employed in the Public Works Department. He was awarded the D.C.M. for conspicuous gallantry at the Battle of Messines and had his left fore-arm shot off at Mailly Maillet in 1918.

The new Ministers have taken over the secretaries of their predecessors and have also appointed a Parliamentary Under-Secretary to the Prime Minister, a post for which there is no legislative sanction or financial provision. We have been told that the proposed system of pooling Ministerial salaries is to be extended in such a way that all the Labour members in the Lower House will participate in it, each of them according to his special experience being attached to one of the Ministers and taking some share in the government of the country.

Since he became the head of the Government Mr. Savage has given some indications of his immediate policy, but already the Government is finding that promise is easier than performance. One of his early assurances was that the five-year-old children would be admitted to the state schools when they re-opened after the Christmas holidays. A direction to the educational authorities to carry out this policy, however, elicited the fact that there are not enough teachers available, unless raw recruits of one year's experience at a training college are called up at once for active service in the schools.

Mr. Savage calmed some fears by declaring that he saw

no immediate necessity for any banking legislation in Labour's first session, and that if the Reserve Bank is to be taken over by the Government and made entirely a state institution the 500,000 shares at present held by private shareholders will be acquired at current market rates.

Parliamentary business is to be accelerated, and three-year parliaments restored. Various changes of policy are to be gradual. Statutory boards will gradually disappear, and the functions of government be restored to the people's representatives. The exchange premium will be reduced by instalments of 2½ per cent. or less from time to time, and guaranteed prices to farmers will be correspondingly introduced as an alternative. The sales tax, too, will be only gradually reduced until it is finally abolished.

One cannot look forward with equanimity to the prospect of a restoration of political influence through the Government's attitude towards the Mortgage Corporation. The Corporation is not to be abolished, but the control and direction will be on similar lines to the policy followed in the State Advances scheme—a policy that has caused the country the loss of millions of pounds, though the amount has never been disclosed. The National Government's policy with regard to broadcasting is to be radically revised. Parliament is to be " put on the air " and all important questions debated will be broadcast. One promise that the Government is fulfilling is the gift to the unemployed of a state Christmas box of approximately a quarter of a million, including the Labour Government's special bonus of £100,000 to be distributed among 41,000 men.

Despite the party's official programme and the pronouncements of its leaders, the business community has outwardly shown no apprehension at Labour's advent to power, being convinced that Labour, the administrator, with the responsibility of office and the knowledge of the difficulties of performance, is a very different figure from Labour, the irresponsible demagogue on the platform promising a rainbow in the skies. The merchant, the

banker, and the share broker may be understood to reason something on these lines. "The Labour Ministers are a level-headed lot of men with plenty of common sense, whose statements since they came into office have been reasonable and conciliatory. The party as a whole consists of substantial citizens with a stake in the country and experience of local affairs, who are unlikely to consent to any wild-cat financial schemes. New Zealand's destiny and financial interests are probably as safe in their hands as they were in those of Mr. Coates; and with their energy and enthusiasm, and the co-operation of the people of New Zealand, their leader is right in saying that the Dominion has a great opportunity of doing wonderful things, if we realize we are living in an age of change in a fertile country with a population one-fourth or one-fifth of what it could carry, and if we are determined to co-operate."

Making all allowance for the tendency to worship the rising sun, the reception of the new Cabinet has been cordial, and the co-operation sought by Mr. Savage has been promised by Chambers of Commerce and similar bodies. But in his excellent address to the departmental heads of the civil service Mr. Savage reiterated that there would be money changes and economic changes generally; he added, however, that they would be made with the least possible disturbance, the problem being to conserve and not to break the interests of the people. So that the vital question for the New Year is: is it to be sound finance, and freedom for the banks from political interference, or government control of currency and inevitable inflation?

IV. Sanctions and the Peace Plan

THE League of Nations Sanctions (Enforcement in New Zealand) Act, 1935, passed rapidly and without opposition through both Houses of Parliament at the end of the session, the Prime Minister having previously invited and received the collaboration and assistance of the

leader of the Opposition. The Act recites Article 16 of the Covenant of the League, and in section 3 empowers the Governor-General by Order in Council to make regulations enabling the Dominion "to fulfil its obligations under Article 16." This section is of general application to future disputes as well as the present one. A later section requires all such regulations to be laid before Parliament within 28 days after the making thereof if Parliament is then in session, and, if not, then within 28 days after the commencement of the next ensuing session. The regulations are to lapse on the expiration of two months after they have been so laid before Parliament except so far as they are expressly validated or confirmed by an Act of Parliament.

It being made clear that the Act authorised economic sanctions only, and that naval or military sanctions would require special authorisation by Parliament, such discussion as took place was directed mainly to the following proviso to section 3, which was possibly the result of the consultation between the Prime Minister and the Leader of the Opposition:

> Provided that nothing in this section shall be construed to authorise the making of regulations :—
>
> (*a*) Requiring any person to undergo compulsory training for service in any military, naval, or air force; or
>
> (*b*) Requiring any person to serve in New Zealand or overseas as a member of any military, naval, or air force; or
>
> (*c*) Prohibiting the publication in a fair and reasonable manner of any expression of opinion as to the expediency of any regulation made under the authority of this Act or the expediency of anything authorised or directed or prohibited thereby, or the expediency of any of the provisions contained in any of the Articles of the Covenant of the League of Nations.

The Leader of the Opposition and another Labour member pressed the Prime Minister to preserve the right of trial by jury for breach of the regulations. In the Legislative Council Mr. Bloodworth pointed out that New Zealand's

total exports to Italy last year were valued at £206,000, of which £178,000 was the value of greasy wool and £27,000 the value of hides and skins, while total imports from Italy amounted to £151,000, composed mostly of silk and artificial silk, though there was one item of £31,000 for sulphur, also some items of very important chemicals. Other members advocated empowering the Government to conscript not only manhood but also wealth, and called attention to the defencelessness of New Zealand against air attack and our inability to send our quota of men and munitions for the purpose of enforcing naval and military sanctions, if that became necessary, owing to the abolition of compulsory training and the unsatisfactory position of the present volunteer force.

The Act was brought into force on October 26, on which date came into force also the financial regulations prohibiting loans, credits and remittances to Italy, and regulations prohibiting the exportation of arms, munitions and implements of war. A supplement to the Gazette of November 14 dealt with the prohibition of import of goods of Italian origin, prohibited the export of horses, timber and certain minerals, save with the consent of the Minister of Customs, to countries other than Abyssinia or any part of the British Dominions, these regulations to come into force on November 18. The regulations were also extended to Samoa and the Cook Islands.

After these measures, the Hoare-Laval proposals came as a shock to the people of New Zealand. With our belief in the determination of the British Government to draw the stranglehold of sanctions tighter if the other members of the League would co-operate, we felt that those proposals indicated that Great Britain must be playing a lone hand, that sanctions had failed and the League was dead. Almost as soon as we heard of the proposals we learned that they were stillborn. Hence all that we, 12,000 miles away, could do was to continue our faith in the British Government and people and wait and see. Cabinet Ministers are too fully

occupied with their particular immediate jobs to make any declaration of policy in anticipation of the next move, and although they are in close touch with the British Government they naturally cannot reveal diplomatic confidences.

How a group of seven of our young men felt is shown by an extract from their letter dated December 16 to the *Evening Post* (Wellington).

> Nothing can justify conduct which amounts to a repudiation of an election mandate, places a premium upon ruthless invasion, and virtually destroys all hopes of establishing an effective system of collective security. We would like to take this opportunity to invite your readers to join with us in urging the New Zealand Government to protest formally to the Imperial Government, to refuse point-blank to be a party to the betrayal of Ethiopia and of the League, and to instruct its representative at Geneva to condemn the suggested "terms of peace" without qualification.

The Dominion Council of the League of Nations Union of New Zealand sent to the Government the following resolution :—

> The Dominion Council respectfully urges upon the Government that in the interests of world peace and collective security it should immediately intimate to the British Government that it cannot support the Franco-British peace plan for the settlement of the Italo-Ethiopian dispute, as in its opinion the proposed terms violate the spirit and letter of the Covenant of the League of Nations, upon which the hopes of the world for enduring peace and security are based.

The clearest call to the Dominion to support the League crusade was made in a leading article in the *Evening Post* on December 14. After pointing out that in dictatorship countries no force of public opinion, apart from the opinion that the Government wills, is to be reckoned with, it says :

> An unmistakable welling-up of public opinion is the best authority that a people can give to a Government to pursue a course possibly involving war, in preference to paying an aggressor his peace price. Such a mandate is possible only in a country of free men moved by their own public spirit. . . . Will public opinion in Britain rise to a critical occasion and

create a new Geneva front, firming British policy against French weakness, and writing a new chapter in democratic history? If this happens, the peoples of the other units of the British Commonwealth will see that the lead has come from all sections of the British people who are nearest to the guns and the bombs—and this fact speaks volumes. . . . Democracy still fights the old fight in its historic citadel, the British Isles. To-day it is clear that the risks of the League crusade will not be taken unless the British people say so. Can we of the Southern Seas do less than follow the lead that is set for us by our fellows in the danger zone—*the men and women who look the European peril full in* the face and who so far have shirked it not?

New Zealand,
January 1936.

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No. 100. SEPTEMBER 1935

No. 101. DECEMBER 1935

THE ROUND TABLE

Can be obtained through any bookseller or any of the following:

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The price of The Round Table is 5s or $1.00 per copy, and the annual subscription (including postage) 20s., in U.S A. and Canada $4.

Covers for binding volumes, 3s. 6d each, and back numbers, price 5s (except three or four out of print) can also be obtained from Messrs. Macmillan & Co, Ltd., London.

PRINTED IN GREAT BRITAIN BY
RICHARD CLAY & SONS, LIMITED,
BUNGAY, SUFFOLK.

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

CONTENTS

No. 103. JUNE 1936 Price 5/-

London: MACMILLAN & CO., LTD.

Entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec 397, P L. and R)

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The contents of the last two numbers of THE ROUND TABLE are printed at the end of this issue, together with a list of agents through whom THE ROUND TABLE may always be obtained.

WORLD CRISIS

THE events of the last few months, culminating in the occupation of Abyssinia by Italian troops and the flight of the Emperor, Hailé Selassié, have brought crisis to the League of Nations, to Europe, and to the future policy of the British Commonwealth. Decisions of the gravest moment will have to be taken in the next few months, perhaps before the Imperial Conference assembles at the time of the Coronation next year.

I. The Lesson of Abyssinia

WHAT has caused the crisis? Fundamentally it has been a lack of clear thinking about the Covenant of the League of Nations and a misreading by the nations of the Commonwealth of the significance of recent events. As The Round Table has repeatedly pointed out, the League is a league of sovereign States, with all the inherent limitations of such a system so well described in the pages of the American *Federalist* a hundred and fifty years ago. Leagues of sovereign States have often been formed before, but as systems for maintaining peace they are subject to three main weaknesses. The first is that sovereign States find it very difficult to agree either in policy or in action, because they tend to look at every international problem from their own point of view and especially from the point of view of their own security in the event of war. The second is that change in the *status quo* is very difficult except in quite minor respects, because it can be brought about only by the consent of all the sovereign States concerned. The third is that the only final way in which a league of sovereign States can resist aggression, that is, an attempt to alter the *status quo* by force, or can

compel revision of treaties or compliance with its decisions, is by war.

All these truths have been abundantly vindicated in the history of the League of Nations. Few will contend that anything like a world patriotism or a European patriotism has yet emerged at Geneva, to overbalance the struggle for national interests and security. Hardly any of the vital changes made since 1918 have been made through the League. Reparations and war debts were ended in effect by repudiation. Arms equality was taken by Germany unilaterally after she had twice left the Disarmament Conference and had resigned from the League because the League members had been unable to give her the arms equality she had been promised through their own disarmament. It was the same with the re-militarisation of the Rhineland. Germany could not allow the completion of the Franco-Russian pact of military assistance to pass without answer. She gave full warning of her strong objection to the diminution in her own security involved in the pact. Yet the League was unable to do anything to solve the Rhineland problem by agreement before the period of crisis arose. Nor has the League yet been able to make those frontier rectifications that seem to be indispensable to the relaxation of tension in the Balkans.

The inability of a league of sovereign States to bring about that constant revision of the economic *status quo* which is manifestly necessary in the modern changing world is even more obvious. By far the most serious cause of present-day unemployment, dictatorship, unrest, armament expansion, and drift towards war is economic nationalism—the attempt of all sovereign nations, and particularly of twenty-six nations in Europe, to live in economic water-tight compartments, separated by unbalanced indebtedness, prohibitive tariffs, quotas, embargoes, and currency depreciation.* Yet the League has been unable to

* See article on " The Root of our Present Discontents " in THE ROUND TABLE, No. 102, March 1936, pp. 229 *et seq.*

do anything effective to mitigate this central evil, precisely because a league of sovereign States can accomplish nothing except by the voluntary consent of all the nations concerned, a fact that was abundantly demonstrated at the World Economic Conference called by the League in 1933.

If experience has thus proved that a league of sovereign States finds it extremely difficult to alter treaties or the *status quo* by agreement in time to prevent explosion, it has equally proved that, in the last resort, the weapon that such a league must use to defeat a powerful aggressor is war. When Japan, in violation of her treaties, made up her mind to try to solve her domestic economic problems and to realise her dream of becoming the master force in eastern Asia by occupying Manchuria, the League Powers and the United States protested vehemently, but none of them was prepared to risk the war that alone might have stopped the military party in Japan from carrying out its plan. The United States was certainly not prepared for war, and the British Government, possessing no substantial fleet in the Far East, refused to take any action that might bring it into collision with Japan, unless it knew for certain that in the event of war the United States navy would also be engaged.

The Abyssinian experience has demonstrated the same truth in even more dramatic fashion. It had been possible for Japan to argue that she already had the right by treaty to keep troops along the South Manchurian Railway and that the control of Nanking over a rather lawless Manchuria was very slender. But there could be no doubts in the case of Abyssinia. Abyssinia was a member of the League and, whatever the barbarity of some of her people, the conduct of the Emperor has been exemplary throughout. As the League declared, Mussolini, in invading Abyssinia, was guilty of the clearest possible case of aggression, in violation of the Covenant and the Kellogg Pact; later he as clearly violated the convention against the use of poison gas. It was plainly a test case for the League, all the more

so because Italy was both peculiarly vulnerable to sanctions and had exposed herself to decisive counter-action by conducting her operations on the other side of the Suez Canal.

No less than fifty League members agreed to carry out their obligations under Article 16, and impose economic sanctions against Italy. But, as the event proved, one and all, Great Britain and the Dominions no less than the others, did so with the reservation that they would not go beyond economic sanctions and that they did not mean to be dragged into war. It gradually became clear that, at any rate with a League that does not contain the United States, Germany, Japan, and Brazil, economic sanctions against a great Power lead to one of two results. Either they are ineffective or so slow in acting as to be valueless for their essential purpose, or they lead to war or the grave risk of war. Mussolini said from the start that he would not regard ordinary economic sanctions as acts of war, but he indicated that he would regard oil sanctions or the closing of the Suez Canal as acts of war which would be answered by acts of war in retaliation. Whether he was bluffing or not will never be known, and doubtless his conduct would have conformed to the strength and resolution displayed by the Mediterranean members of the League. But one and all their Governments seem to have limited their commitment by the reservation that they did not intend to be drawn into war for the sake of Abyssinia. Mr. Baldwin and Mr. Neville Chamberlain fought the general election on the cry: "We will support the League but we will keep you out of war". The Dominion Governments, so far as we are informed, took the same view. Mr. Anthony Eden, on May 6, candidly admitted that in his judgment "closing the Canal must inevitably have led to war", and that the British Government had recoiled from such a step, not because it feared what the ultimate result would be, but because of its "horror of war". Only the League of Nations Union in Great Britain and a few individuals like Mr. Lloyd George pressed

the Government to take the risk of forcing Italy to suspend hostilities and come to a peace conference by closing the entrance to the Suez Canal to her ships.

Once Mussolini realised that the League nations were not willing to risk war, his way was clear. Provided the economic sanctions were not enough to stop him in time he could make certain of victory. The main effect, indeed, of the economic sanctions actually imposed has been to drive him to use any and every effort (including gas) to overcome the Abyssinian resistance before they could have decisive effect. Sir Samuel Hoare's own explanation of the Hoare–Laval plan is that once it became clear that collective action sufficiently decisive to stop Mussolini was out of reach, he endeavoured (in our view, by a singularly maladroit and unfortunate act) to save something for Abyssinia before it was too late.

II. The Revision of the Covenant

WE do not propose in this article to attempt to assess the blame for the Abyssinian *débâcle*. There is no doubt that, while the Government of France consistently obstructed action, the British Government must bear a great part of the responsibility; for it ought never to have taken the initiative in September if it had not been prepared for the consequences. There was no probability that any other Government would propose the decisive action that might have stopped Mussolini, if only because the primary responsibility for the consequences of such action would inevitably fall on the British fleet in the Mediterranean.

What is more important is that we should realise that public opinion throughout the Commonwealth has been asleep to the real implications of the League undertakings. The vast majority of people regarded the League as a system for preserving peace without much risk to themselves. They did not realise that no league can preserve

peace unless it can make changes in the *status quo* to correspond with changing conditions, that an obligation to resist aggression everywhere makes it almost impossible to change the *status quo*, and that effective resistance to aggression implies a readiness to go to war. The first question that citizens of the nations that comprise the Commonwealth and are members of the League of Nations have now to face is what it is practical for a league of sovereign States to do, and especially whether they are prepared to continue to accept as a universal commitment the obligation to resist aggression, and to make the military preparations without which they cannot effectively live up to it, and whether such an obligation is conducive to the maintenance of world peace.

Opinion in Great Britain is at the moment at sea. But there are certainly two currents. The one school says that although the collective system has suffered these disasters it is still the only alternative to a drift back towards competitive armaments, alliances and world war, that we must learn from our failures and strengthen rather than weaken our commitments, so that every member of the League may be not only militarily prepared but also known to be willing and ready to live up to its obligations under Articles 10 and 16 of the Covenant. The other says that until a more effective system for revising the *status quo* has been contrived, and until the League once more contains all the great Powers, to attempt to enforce Articles 10 and 16 against any and every nation that goes to war is simply to risk extending all local wars into world wars and inflicting the terrible evils of modern war, not on hundreds of thousands, but on millions of innocent non-combatants, *and that the automatic obligation to apply sanctions* against an aggressor anywhere under the Covenant should therefore be immediately revised to conform to present-day facts.

The Round Table has been a consistent supporter of the League of Nations from its inception, and believes that

some form of world organisation to deal with international affairs is an indispensable corrective to the anarchy of universal self-determination and the first step towards a reign of world law. But it has never disguised its conviction that no system of co-operation among sovereign States could fulfil the hopes so widely entertained of the League of Nations, and that the real foundation for lasting world peace would only exist when nations were willing to pool some part of their sovereignty and create a common organ to which, in super-national affairs, the loyalty and obedience of the individual were due. It has repeatedly warned its readers that there could be no lasting peace without continuous revision of treaties, that the use of sanctions inevitably raised the risk of war, and that " lasting peace cannot be prescribed by constantly threatening war even for collective instead of for national purposes ".

Our first conclusion is that the nations of the Commonwealth ought without any delay to clear their minds as to where they stand in regard to the obligations under Articles 10 and 16, obligations which, if they mean anything, imply that they are willing to go to war to stop aggression anywhere. It is unfair to other nations, it is unfair to their own public opinion, to leave any doubt on this point. These coercive articles have always been the most doubtful feature of the League. They led to the withdrawal of the United States. They added to the difficulty of giving the German republic equality because they seemed to create collective guarantees against alterations of the Treaty of Versailles except with the consent of France. And though they were effective against small Powers like Greece, when put to the test in relation to Manchuria and Abyssinia they broke in the hands of their authors because to make them effective implied war and the League was not prepared to face war for collective ends. Moreover, in a world in which the majority of the great Powers are outside the League, the British Commonwealth, individually or collec-

tively, cannot and will not go to war to defend China or Russia or Latvia or Austria or Germany or Italy from aggression as technically defined in the Covenant. The sooner they face these issues the more honest will be their position, and the sooner shall we be able to formulate a policy that will be effective in helping to bring stability because the world will know that we are prepared to live up to it, and the sooner will it be possible to bring the League back to vitality.

Our second conclusion is that revision of the Covenant ought to be confined to its universal, automatic coercive obligations only. The danger now is that, because universal coercive sanctions have failed in an instance in which it would have been most easy to make them effective against a great Power, people will say that the League is dead and ought to be abandoned. We take exactly the opposite view. We think that once the automatic, universal obligations of Articles 10 and 16 are dropped or amended so as to make them permissive instead of mandatory, the League—the only League that can function so long as all nations cling to national sovereignty, the League that rests on the same kind of principles as the British Commonwealth itself, the League that can act as a focus for world opinion, for conciliation, for free co-operation, for common action when there is agreement upon action, and as the constant corrective to the exaggerated nationalism that is the central evil of the contemporary world—may revive and begin to gain real authority once more. In this also we are expressing no new opinion. In an article published in the issue of September 1935, and written before Sir Samuel Hoare's speech at Geneva, we wrote:*

> The League must be restored as a conference system of all the nations before we try to make it into the universal international policeman. . . . It is imperative to preserve it in existence and to restore its universality even at the price of abandoning that

* See THE ROUND TABLE, No. 100, September 1935, p. 671.

principle of automatic obligation to take sanctions which is the main deterrent to membership. . . . Such a league of all nations may not prevent all wars, but it may localise them.

This was also General Smuts' view when eighteen months ago he warned his hearers to keep the League as a league of peace and not to turn it into an international war office.

III. Regional Security

BUT though we should make the League an instrument for international co-operation, freed from automatic obligations that can only be made effective by war, we are still left with the problem of security. If a universal and automatic system of collective security has broken down, is it true that we must drift back to the complete anarchy of 1914? We do not think so. We think that security should be organised on a regional basis, within a League shorn of automatic, universal and compulsory sanctions. Let us face frankly what this implies. So long as national sovereignty is retained in full effect the first condition of stability in international relations is that the nations should know and make plain the things for which they are prepared to fight. This may sound brutal, but it is the only basis—precarious though it is—upon which any kind of order can be maintained in the anarchy inherent in a world of sovereign States. It has been the failure of the League members to realise that any system of universal security necessarily rested upon the readiness of its members to go to war, and their unwillingness to face war when the test came, that have led to the *débâcle* of the League in both the Manchurian and the Abyssinian episodes.

What are we prepared to fight for now? What are we not prepared to fight for? Those are the questions we must ask ourselves and answer before any effective regional security system can be constructed, inside or outside the League.

So far as the nations of the British Commonwealth are

concerned the position seems to be still where it was when it was discussed at the Imperial Conference of 1926. They are each prepared to defend themselves from external attack. They each admit some obligation to come to the assistance of the other parts of the Commonwealth if they are attacked from outside, provided they have been consulted and have consented to the general foreign policy being pursued, and provided each is the sole judge of the action it should take, if any, in each particular case. But this is only an academic way of putting the problem. The danger is not that of deliberate attack on any individual part of the empire but the danger arising from the fact that wars may break out elsewhere and spread like a forest fire, or from the alliances or military commitments into which some parts of the Commonwealth may be drawn in the hope of providing for their own security or preventing war.

The reality of the present international situation is roughly as follows. As we have repeatedly pointed out in this review, Europe has been stabilised since the Armistice, not by the League of Nations, but mainly through the complete military preponderance of France and Poland and her Little Entente allies in eastern Europe, and through the unilateral disarmament of Germany imposed by the Treaty of Versailles. This system lasted from the rejection of the Anglo-American Treaty of Guarantee to France in 1920 until the rearmament of Germany under Hitler. Equality for disarmed Germany through the disarmament of her neighbours had long been pressed on France by Great Britain and the United States at the disarmament conference. But it failed because France would not agree to it without guarantees for security, that is to say, undertakings to go to war in her defence, which the United States and the Dominions would not give at all and which Great Britain would not give except in the limited Locarno form. No sooner, therefore, did Germany begin to rearm, having left the League and the disarmament conference on the ground

that she would not get equality there, than France set to work to try to extend her alliance system, in order to keep such a preponderance of power as would make it impossible for Germany or the other defeated Powers to alter the *status quo* by force. She first composed her quarrel with Italy (incidentally probably agreeing informally to give her a free hand in Abyssinia) so that each could move the forces they had previously maintained on the Franco-Italian front to the German front. Russia—moved by her anxiety about National Socialist Germany—then joined the League, and France and also her ally Czecho-Slovakia initialled military treaties of mutual assistance with Russia.

This precipitated the recent Locarno crisis. Hitler contended that the unilateral demilitarisation of the Rhineland, which had been guaranteed by Great Britain and Italy, had been accepted by Germany at Locarno as security against another invasion of the Ruhr, but that once France entered into a military pact with Russia the conditions were fundamentally altered and Germany could no longer be required to keep open the back door to her most vital industrial regions. He concluded that Germany would never be able to recover her sovereignty in the Rhineland by consent, and he therefore presented her neighbours with a *fait accompli*, in clear violation of the text of the Locarno treaty, by moving her troops on March 7 into the demilitarised zone. Great Britain was placed in a position of great difficulty, being a guarantor of that treaty but feeling that she could not go to war to prevent Germany from occupying her own territory, as France was inclined to demand. Partly in order to resist this demand she felt constrained to re-affirm her obligation to come to the assistance of France or Belgium in the case of unprovoked aggression, and to strengthen it by "staff talks", while making it clear that the obligation did not arise in the event of a war that sprang out of the treaties between France and any other Power. This renewed guarantee is in effect a modern form of the old guarantee of Belgian

neutrality, and may be permanent because it conforms to Great Britain's own vital interest that no European Power should dominate France or Belgium.

What is fundamentally happening, of course, is that Europe is passing from a system of stability by a French preponderance to a system of stability by balance, which is inevitable once Germany obtains the position of power and equality inherent in her size and national vitality, though the composition of the new regional balance is not yet defined, and there are probably certain adjustments to be made in the *status quo* before Europe is likely to settle down.

The situation has been complicated by the Abyssinian crisis. The ultimate motives for Mussolini's adventure are not yet clear. Partly, no doubt, it has been the desire for extended opportunities for colonisation and the exploitation of raw materials for overcrowded Italy. But partly also it has been the long-planned Napoleonic dream that Italy should become the heir to the British Empire in the eastern Mediterranean. Once Italy has a navy that can prevent the passage through the central Mediterranean of anything less than the major British fleet, and once she has aerodromes and roads in Libya and an army, white or black, in Abyssinia, she has only to wait for a crisis in which Great Britain is so involved that she has to move her main fleet to the North Sea or the Far East, and she may have an opportunity to seize the Sudan, Egypt, the Suez Canal, Palestine and the Arabian hinterland as the beginning of a new Roman Empire. So long as she was afraid that Germany might step into Austria and therefore bring her formidable army to the Brenner Pass, Italy could not move. But the adherence of Great Britain to the Stresa Front made her more secure in Europe, and despite all the efforts of the League she went ahead. The fact that she has succeeded presents a very grave problem to Great Britain and Australia, New Zealand, India and East Africa; for she stands menacingly alongside their mutual communications through the Red Sea.

The pivot of the European complex at this moment is Austria. Germany will probably succeed in re-fortifying the Rhineland, because Great Britain will certainly not go to war to prevent her and it seems equally certain that France and Russia will not do so alone. But once the Rhineland is fortified the power of France to intervene in eastern Europe will be greatly lessened. Austria herself is, at present, inherently unstable. Her population is German, but is divided between socialists, Catholics, and Nazis. The majority would probably prefer independence, if it were compatible with a solution of the economic problem of keeping alive a nation of seven millions in the middle of Europe, over a quarter of whom live in one city, Vienna. But they would almost certainly prefer a German solution to subjection to their traditional enemy Italy. At the moment Austria is governed by a dictatorship of the Right backed by the Heimwehr militia, subsidised by and largely dependent upon Italy. The *Anschluss* is forbidden by the Treaty of St. Germain, not because any one objects to the reunion of Austrian Germans and German Germans, but because the incorporation of Austria in Germany would draw the German army to the Brenner, would upset the strategic situation in Europe by bringing Germany alongside Hungary and so to a powerful position in the Balkans, and would threaten the stability of Czecho-Slovakia, with its large German and Slovak minorities. It would automatically make Germany the dominant force in central Europe and end the French system of preponderance. As the strength of Germany increases, the pre-occupation of Italy with the Balkans and Austria must once more increase, and the precision of the Franco-Russian military engagements must tend to increase also.

But Europe no longer stands alone. As a result partly of air communications, partly of the world struggle between communism and fascism, Japan is being drawn into the Eur-Asian balance. Russia is afraid of a simultaneous attack by Germany and Japan. Japan is afraid that if

Russia goes on developing her already enormous military strength she may eventually defeat the Japanese ambition to dominate the Far East, and may even become master of China in place of Japan. If she could make sure of a simultaneous attack by Germany she might possibly attempt to drive Russia back to Lake Baikal before it was too late. Germany is afraid of the growing power of the vast Slav and Bolshevist mass to the east, a power that can fight in two ways, with armies and aeroplanes and with communist propaganda behind the lines.

It is quite impossible at the moment to forecast the future alignment of forces in Europe and the Far East. It depends partly on the armed strength and the political aspirations of the various Powers themselves. It depends partly on whether the necessary revisions of the *status quo* in its three main aspects, European frontiers, the colonial question, and the relaxation of economic nationalism, can be effected without war in the next few years. If it can, and if a Eur-Asian regional balance can replace the recent system of preponderance without an explosion, the present war clouds may pass away, a limitation of armaments may be reached and the League may revive.

IV. Questions for the Commonwealth

BUT from the point of view of the British Commonwealth the most important question raised by the breakdown of the universal, automatic system of collective security implied in Articles 10 and 16 is a different one. In the development of regional security in Europe and the Far East ought Great Britain to form part of the regional balance of power itself, as she did increasingly from 1904 onwards, or ought she, if possible, to detach herself from it, except for the guarantee to France and Belgium against unprovoked aggression? To some extent, of course, the answer will depend upon whether a stable balance of forces

can be produced in Europe without her. But it depends also upon the views of the other members of the British Commonwealth and upon the question whether automatic military commitment to a regional European system is compatible with the existence of the Commonwealth.

Broadly speaking the arguments for the two alternatives, both of them within a revised League system, seem to be as follows. The first alternative is that Great Britain, with or without the Dominions, in the hope of preventing war in Europe, should form part of a League combination pledged to maintain the present European frontiers, including that of Austria, even at the cost of war, except in so far as they can be altered by the consent of all immediately concerned. The argument for this is that if Germany is allowed to absorb Austria, or by threats of violence to make herself or her friends dominant in central Europe, it is only a question of time for a repetition of the power politics and tension and military time-tables that culminated in the tragedy of 1914, and that the best way to prevent it is for everybody to make it clear that any attempt to alter the *status quo* by force spells immediate collective war. Such a system, however, is inherently unstable, partly because it makes revision almost impossible and therefore does little or nothing to remove the grievances and repressions that make for eventual explosion, and partly because it is very difficult to create a collective military alliance that is both watertight and overwhelmingly preponderant. Moreover, if a renewed alliance system of this kind failed to maintain peace, and a war broke out between the armed *status quo* group and the armed expansionist group of Powers, it would inevitably become a world war; the Dominions and the United States would eventually be dragged in, if only because they could not afford to see the British Commonwealth disrupted and the British navy destroyed, and the expansionist dictatorships become the heirs of Great Britain and France in the Atlantic and the Pacific.

The second alternative is that Great Britain, while playing, with the Dominions, an active part in a non-sanctionist League, should move back towards the American position, keep detached from automatic military commitments and the military balance of Europe, save the defensive commitment already mentioned, and become part of an informal democratic group that would possess immense defensive strength if it stood together, and would be unquestionably capable of resisting any attempt by the dictatorships to trespass across the major oceans of the world. That would be, in effect, to attempt to restore in a new form the system whereby world war was prevented during the nineteenth century. There was no world war between 1815 and 1914, in contrast to the constant world wars of the seventeenth and eighteenth centuries, largely because there was a paramount British fleet. So long as no European Power was able to challenge that fleet or invade Great Britain, and so long as Great Britain respected the Monroe Doctrine, there could be no world war, though there might be local wars. But as soon as a Power—Imperial Germany—arose that was willing to challenge the British fleet, Great Britain was forced to abandon her detachment, the world war ensued, and the United States was eventually drawn in. The situation of the nineteenth century cannot now be reproduced because the British navy is no longer supreme. But a combination of the nations of the British Commonwealth, the United States, and the South American republics would be far stronger in common defence even than the British navy was before the war. No European or Asiatic Power could think of attacking a group possessed of such vast financial and naval and economic resources and controlling all the main strategic waterways of the world. It could certainly prevent world war and preserve democracy and peace throughout its own region, it could exert immense influence for peace and for fair settlements of local wars elsewhere, and it might become a centre of

gravity around which a larger league of democratic nations might gradually develop.

Such a system, of course, creates no guarantees against the outbreak of war in Europe or in the Far East. But in the present circumstances, amid dictatorships and universal rearmament, it does not seem possible that any such guarantees can be created at all. Eur-Asia may get through its period of readjustment of power diplomacy without war, or war may be the instrument of readjustment. And if war in Asia or eastern Europe does come, while the danger of its extension into a world war is clearly great, it is not inevitable that it should involve Great Britain or western Europe, especially if a powerful "oceanic" group exists outside.

There are, of course, great difficulties in the way of such an oceanic arrangement. It could not rest on formal treaties but would have to grow out of events. It could not happen unless Great Britain were free from all automatic military commitment in Europe and Asia, except for a limited defensive guarantee to Belgium and France, to which she alone would be committed. There are also difficult problems in the Mediterranean, which is a local sea for two great European Powers but at the same time a vital ocean highway for the nations of the Commonwealth. The system could not be effective unless the nations of Europe knew that a direct attack on Great Britain would rally the rest of the oceanic group to her support. The United States would have to emerge from her attitude of total isolation of to-day into a greater interest in world affairs, involving an extension of the kind of commitment involved in her unilateral Monroe Doctrine; she would have to recognise that total isolation might be the most certain method of becoming involved in another world war, while limited commitment might be the surest way of preventing such involvement and preserving peace and democracy over half the world.

These questions may seem remote in some ways to-day.

But opinion is likely to grow rapidly in the next year or two under the impact of the armaments race and the changes that are likely to take place in the European balance in the near future. The nations of the Commonwealth must face the new realities, including the weaknesses that have been revealed in the present structure of the League and the fact that in a world of sovereign States security depends upon preparedness to undertake obligations that may involve war, either in a universal League or in some lesser regional combination.

THE CO-ORDINATION OF DEFENCE

I. Britain's Defensive Tasks

FOR the whole British Empire, no less than for the United Kingdom herself, the crisis in international affairs presents an urgent problem in defence. Collective security, which has not yet and may never be tested to the point of collective war, has been tested to the point of economic sanctions of wide scope but dilatory effect, and the experience is forcing us to reconsider the foundations of our international policy. An earlier article in this number of The Round Table has discussed the wider issues that are raised, and there is no need to review them again here. Whichever choice we make, whether we press forward towards the objective of universal collective security or set out to limit our automatic commitments to those that conform with our immediate interests, the circumstances of the world to-day demand a big effort to bring our defences into proportion with our obligations and our risks. That the universal obligation to impose sanctions against an aggressor requires a high degree of defensive preparation is self-evident; it has been the consistent view of The Round Table that for a great Power there could be no such thing as effective economic or financial sanctions that did not imply a serious risk of war. The failure of the Government and of the general public to face that fact in time has been one of the main causes of our present difficulties. On the other hand, it is no less certain that a policy of limited isolationism, that is to say, of keeping the machinery of the collective system as a means of localising war and preventing it from developing into

a world war, requires as an elementary condition a well-armed Empire. No great country has pursued more persistently the policy of insulation from war than the United States; no country has been driven by its history more inexorably to the conclusion that powerful defensive armaments are an essential (yet even then not necessarily an effective) ingredient in the insulating material.

The heightened needs of imperial defence are in the first place a matter of concern for the United Kingdom, as the country of the British Commonwealth that lies closest to any of the world's danger spots. But her defensive problems immediately give rise to defensive problems in the other self-governing countries of the Commonwealth, for two main reasons: first, because the British collective system of security is still a reality, whatever may be the future of the world system; second, because any weakness or preoccupation of the United Kingdom must inevitably add to the defensive necessities of the Dominions. For instance, her Mediterranean anxieties of the past six months have gravely depleted her naval establishment in other quarters; if the danger grew equally acute in north-west Europe she would be almost paralysed as a first-line instrument of defence for the more distant British countries. Again, the military imperialism of Japan has once more exposed the fact that the British navy is incapable, even if matters grow no worse in Europe, of assuring security for all British interests, both in the Atlantic and North Sea and in the Pacific, not to mention the vital trade route through the Mediterranean and the Suez Canal. This fact is as old as the present century, but the naval threat in the Mediterranean, the possible revival of Germany as a naval Power, and the breakdown of the Washington system of balance in the Pacific, which replaced the Anglo-Japanese alliance, have rapidly heightened the significance of our comparative weakness in the Far East.

Most of the tasks of defence that face the United Kingdom are tasks of imperial defence in the widest sense,

When the Imperial Conference of 1923 laid down principles on which the defence of the Empire was to be based, the first of them was that each of the self-governing members of the Commonwealth would be primarily responsible for its own local defence. But not only is local defence intimately bound up on the technical side with extra-territorial security; the dangers that may threaten the Empire are not for the most part those of direct territorial aggression, but rather those of becoming involved in world war over more general—perhaps moral—issues. Hence even the local defence of the different parts of the Empire must be regarded as an integral element in the whole scheme of imperial security, whether seen from the point of view of the United Kingdom or from that of the Dominions. The following summary of our defensive burdens in the Empire is drawn up with an eye to the task that faces the United Kingdom particularly, but the whole of it is relevant to the task that faces any of the British countries. The same tabulation stands whether or not we accept the universal obligations implied by a world-wide system of *collective security, and it stands whatever our special* regional commitments may be. For the effect of collective undertakings is not to change the nature of our strategic tasks but, first, to shift the relative emphasis upon the different items, and, second, to change the conditions under which we might be called upon to perform those tasks and the probabilities of our having to do so.

(1) The local defence of the United Kingdom, each of the Dominions, India and the Colonies, including anti-aircraft defence and the defence of the North-West Frontier.

(2) The protection of shipping—including convoys and the special defence of narrow passages like the English Channel, the Straits of Gibraltar, the Suez Canal, or Singapore—against a hostile naval or air Power.

(3) On the assumption that there can be no effective or complete defence against air raids on cities, ports or other economic ganglia, the ability to retort adequately in kind to such bombing.

(4) Ability to muster in the North Sea, east Atlantic and

Mediterranean sufficient naval and air force to defend ourselves against an attempt to frustrate our protection of shipping and the narrow waterways by means of an attack on our naval and air bases, strong points, or main fleet.

(5) Ability to muster on the defensive line from Singapore to New Zealand sufficient naval and air strength, not to take a dominant part in the power politics of the China Seas and the western Pacific, but to defend that line and to make any encroachment on our vital interests north and east of it a hazardous risk.

(6) Ability to make an effective contribution in the critical opening days of a continental European war, into which we found ourselves drawn by honour or vital interest; and, if deadlock were reached in those opening phases, ability to mobilise quickly our resources of men, money and munitions so as to give our participation its maximum weight.

The item in the list that raises the greatest amount of controversy is the last. Expert opinion differs radically with regard to Great Britain's capacity to furnish valuable assistance by land to a continental ally in a collective war. Some people argue, assuming France and Germany to be the combatants, that (say) five mechanised divisions, rapidly brought to the front, would completely turn the scale. Others, laying stress on the hazards of mobilisation and transport through a bottle-neck in these days of air-power, declare that British land forces, if transportable at all, could not be brought into action on a European front for at least a fortnight, by which time, in the alleged opinion of continental general staffs, the first and most vital crisis of the war would be over and the Empire's contribution would be much more effective if concentrated on other arms and other theatres of war. For our present purposes, this question must remain in suspense, but the true answer is vital to the organisation of the whole British army system; for if the intervention of mechanised troops on a large scale in continental warfare is contemplated, then the actual organisation—the Cardwell system of interchange between home and oversea battalions—is entirely unsuitable, since the training for tank warfare in Flanders must be completely different from the training for garrisoning the

Suez Canal defences or fighting with cavalry and small arms on the North-West Frontier of India.

It will be noted that the conception of the Empire's defensive obligations, on which the above list of duties is based, rules out of court the possibility of war with the United States. Not merely would it be absolutely impossible to prepare for such a contingency in addition to our other defensive liabilities; an Anglo-American conflict is entirely contrary to our world policy, and could only come about through a complete breakdown of an understanding on which the citizens of the British Empire have pinned a great deal of their faith for the future peace and security of civilisation.

Each group of defensive obligations calls for its own kind of technical preparation, but behind them all, and incidental to every one of them, lies a vital economic need. The industry of the Empire—both capital and labour—should be capable of supplying adequately and efficiently our peace-time defensive requirements, and of rapidly expanding or transforming itself on the outbreak of war to serve our fighting objective. Similarly it is essential for the proper defence of the Empire that it should possess a strong and efficient mercantile marine and civil air service. By comparison with other Powers we have fallen far behind in the stimulation and protection of these indispensable auxiliaries of imperial defence—a danger to which the threat to British shipping in the Pacific once more calls urgent attention. In these days of air power, moreover, the geographical location of our vital industries and centres of commerce is a matter of first-class defensive importance. In addition, for an island country like Great Britain, incapable of self-sufficiency in foodstuffs and raw materials, the problem of maintaining economic reserves against the contingency of war must enter prominently into our defensive calculations.

THE CO-ORDINATION OF DEFENCE

II. Air and Sea Power

ALTHOUGH our defensive needs may be analysed into categories on paper, the imperial defence system must stand as a single whole. If it fails at one point it is gravely weakened throughout. For example, the vital lines of economic communication in the Empire cannot be secured against all contingencies unless we can at one and the same time defend the eastern front line from Singapore to New Zealand, protect shipping in the Mediterranean and its narrow adits and in the Channel, ward off surface and submarine commerce-raiders on the high seas, put up a defence against the bombing of our ports, and if necessary retaliate in kind against such air bombardment. The strength of a defensive chain is always the strength of its weakest link. Hence it is false to contrast air power with sea power as the vital necessity for imperial defence to-day; for both are vital. The need is not to decide which is the more important, but to bring all three services into the same field of vision.

The relations between air and sea power should not be considered as competitive, but as complementary. Those relations depend partly on technical factors, like the moot question of the vulnerability of giant battleships to air attack; but much more important is their dependence on general strategy, to which the time-factor is the key. The time-factor of air power is swifter than that of sea power—not indeed always, but in certain circumstances—because it may decide the issue of the war much sooner. It is sometimes asserted that air power cannot force a decisive result. But this is surely to make the out-of-date assumption that war is fought over occupation of territory, whereas modern war, of the kind that is contemplated in assessing the needs of imperial defence, is fought for general national interests or ideals between whole nations. Hence the effect of war on the nation as a whole is decisive. Air bombing is just as capable as naval blockade of

compelling a nation to give in. The difference is that it may achieve this purpose far sooner. It is said that Great Britain, if totally blockaded at sea, could not last out a fortnight. But even at the height of the submarine campaign a considerable proportion of ships got through, while Germany lasted for two years on iron rations. The destruction of the London docks by air bombing would destroy England's means of life far more quickly. It follows that speed of mobilisation and counter-attack are the first considerations in air power. If we are sufficiently prepared in the air, and in anti-aircraft defence, to prevent an adverse decision within a short space of time, the power of the navy begins to tell, and is indeed essential to the further continuance of any campaign. If the war is not in Europe but, for instance, in the Pacific, the possibility of instant decision through air action is much more remote, and the time-factors of air and sea power more nearly coincide.

Nowadays, however, the ships themselves and their bases are exposed to attack, not only from other ships, but also from the air. The time-factor is again vital; for if swift and concentrated action could destroy an enemy's bases his fleet would become valueless. This has been brought home to us by the contingency of an assault on our defences in the Mediterranean. If Italy—as has been suggested in some quarters—could destroy Malta and Alexandria by bombing, even at great loss of planes and men, without our being able to render immediately any effective retort or adequate defence, our naval power in the Mediterranean would be crippled. Although this supposition is probably a gross exaggeration, it is clear that air defence and air counter-attack are an essential weapon of naval strategy, as important to our ships as their speed, their guns and their armour-plating. The reaction on naval technique cannot be summed up in a word. The aeroplane fights its own kind; otherwise, it is best regarded as a projectile, a peculiarly responsive,

powerful and far-ranging projectile, but one with limitations of its own. The potentialities of air bombardment are not to be measured simply by the range and speed and carrying capacity of the aeroplanes available; for the volume of bombardment per unit of time, or per unit of ground organisation, is obviously far less if the target is 400 miles away than if it is 100 miles away from the air base. In this light, armies and navies appear as the means of advancing the effective air base as close as possible to the enemy's vulnerable points, while preventing him from bringing his air bases closer to our own danger spots.

III. The C.I.D. and the New Plan

All these considerations suggest that co-ordination is the first technical need of our defensive system. The present plan of co-ordination centres upon the Committee of Imperial Defence. This is a purely advisory committee under the chairmanship of the Prime Minister, who is authorised to call in " such other members as, having regard to the nature of the subject to be discussed, he may from time to time summon to assist him ". In practice the C.I.D. generally includes the three service Ministers and their chief professional advisers, the Chancellor of the Exchequer, the Secretaries of State for Home and Foreign Affairs and for India, the Dominions and the Colonies. Representatives of the Dominions are called in from time to time, and certain of the Dominions have appointed liaison officers to the secretariat of the C.I.D. In actual practice, the main work of the Committee is done through sub-committees, of which the most important are the Chiefs of Staff sub-committee, the Man-Power sub-committee, and the Principal Supply Officers sub-committee. The last-named has been thus described by Field-Marshal Lord Milne :*

> It practically constitutes the nucleus of a peace-time Ministry of Supply and Munitions, and is the only machinery in existence

* See article in the *Nineteenth Century* for March 1936.

for planning industrial mobilisation and for allocating the resources of the nation to meet the war requirements of the three fighting services.

Important as that function is, it is subordinate to the business of co-ordination of defence policy for which the Chiefs of Staff sub-committee is responsible. A committee under the chairmanship of Lord Salisbury, on whose findings the present practice of the C.I.D. is based, laid down in 1924 that " in addition to the functions of the Chiefs of Staff as advisers on questions of sea, land, or air policy respectively, to their own Board or Council, each of the three Chiefs of Staff will have an individual and collective responsibility for advising on defence policy as a whole, the three constituting, as it were, a super-Chief of a War Staff in Commission ".* The preparatory work involved before any question can come before the Chiefs of Staff sub-committee is done by a joint planning committee in which officers of the naval, general and air staffs take part.

On the surface, the system of co-ordination thus provided might seem fully adequate to the task. But it has been subjected lately to damaging criticism along two main lines. The first is that the Chiefs of Staff sub-committee has not completely fulfilled its duty to advise the Cabinet on our defence policy as a whole. Lord Trenchard, who was a member of that sub-committee for 6½ years, wrote in a letter to *The Times* :†

> I fear that, under pressure of work and from other causes, unanimity has too often been reached by tacit agreement to exclude vital differences of opinion, to avoid issues on which such differences might arise, and to restrict the scope of the committee's reports to matters on which agreement can be reached by " give and take ".

If this stricture is well founded, the co-ordination of policy has been hollow indeed. The second line of criticism is that in spite of the C.I.D. system the main link between the

* Cmd. 2029.

† December 16, 1935.

services and the Cabinet is still through the First Lord of the Admiralty and the Secretaries of State for War and Air, individually, and that these Ministers, especially in matters of finance, regard themselves as spokesmen of separate services with separate interests to defend, and are so advised by their technical staffs. This is a point that is scarcely subject to proof, but it is clearly an inherent danger of such an organisation as has been described, in which the defence services are represented in the Cabinet by three separate Ministers, and in which the main instrument for co-ordinating policy, the Chiefs of Staff sub-committee, is only occasionally presided over by its nominal chairman, the Prime Minister, and therefore usually consists of three distinguished officers whose first duty is to act as departmental heads of their own separate services.

Moved by a wave of public and parliamentary criticism, the Government announced in February a plan for strengthening the co-ordination of defence. The Prime Minister began by stating that the Government had set up last July a special ministerial sub-committee, known as the Defence Policy and Requirements Committee, to keep the defensive situation as a whole constantly under review, so as to ensure that our defence arrangements and our foreign policy were in line. The Prime Minister, under the new plan, would retain the chairmanship of this committee and of the Committee of Imperial Defence, but a special Minister would be appointed to act as deputy chairman, and to undertake "the general day-to-day supervision and control on the Prime Minister's behalf of the whole organisation and activity of the Committee of Imperial Defence". This Minister would be chairman of the Principal Supply Officers sub-committee, but not normally of the Chiefs of Staff sub-committee, though he would have the right to consult personally with the Chiefs of Staff and to convene their sub-committee under his chairmanship whenever he or they thought desirable.*

* Cmd. 5107, pp. 14–15.

Later Sir Thomas Inskip was appointed as the first Minister for the Co-ordination of Defence.

IV. A Ministry of Defence?

ALTHOUGH this reform appeased some of the parliamentary critics, a body of expert opinion still discerns certain grave defects in the system. In the first place, the Chiefs of Staff sub-committee continues much as before, and nothing has been done in answer to Lord Trenchard's accusation. It is said—with what truth it is not easy to tell—that our spokesmen in the present Anglo-Egyptian negotiations are seriously handicapped by the absence of any authority that can definitely instruct them what is our defence policy in relation to Egypt, and what facilities are necessary for each of the three services in order to carry out that policy. Secondly, the arrangements for presenting estimates and allocating finance—obviously a vital point in our defence scheme as a whole—are apparently to remain unreformed. Even Lord Milne, one of the leading defenders of the present system, has written * that

> the annual estimates are drawn up by the three service Ministries independently, and certainly, until very recent years, no attempt has been made to correlate the demands for money by the three services with the rôles they were expected to fill in imperial defence.

Thirdly, it is argued that the Co-ordination Minister is a mere supernumerary in the system of connection between the Cabinet and the services, having only a rudimentary staff of his own. At the outset, so the Prime Minister stated on March 19, his staff would consist of a civil servant of the rank of principal assistant secretary and a private secretary. In addition, he would be able to make use of the secretariat of the Committee of Imperial Defence. Any further staff required must be left for consideration in the light of experience.

* *Loc. cit.*

The critics have certain remedies to propose for these defects, which, if proved, would cumulatively form a grave weakness in the defence co-ordination system. The Co-ordination Minister, they maintain, should be permanent chairman of the Chiefs of Staff sub-committee, just as he is of the Principal Supply Officers sub-committee. There is no greater obstacle in the one case than in the other, and the need is even more vital. They demand, furthermore, that he should be the chief adviser of the Cabinet and of the Chancellor of the Exchequer on the allocation of finance between the different services and among their various branches. In order to fulfil this and his other tasks, he should be furnished with an ample secretarial and technical staff, which need not, of course, be distinct from the staff of the Committee of Imperial Defence. We shall never deal adequately, so the argument runs, with the problem of defence co-ordination unless we start from the top—the unity of defence policy—and work downwards, instead of working upwards from the separate arms and trying to superimpose a sketchy system of collaboration at the top. To those who object that the effect of these proposals would be to turn the Co-ordination Minister into a Minister for Defence, and the three service Ministers into under-secretaries, the answer is given that if that were indeed the ultimate outcome it would be the wise and logical outcome, as far as general defence policy is concerned.

The sweeping nature of that conclusion is a measure, not only of the gravity of the problem, but also of the caution with which we must approach its consideration. Great weight must be given to the argument that responsibility for the whole of our national defence arrangements is too vast a burden for one Minister. To the man-in-the-street, unaware of the political and administrative difficulties, the proposal to have a single Ministry of Defence appeals by its simplicity and by its appropriateness to the nature of the problem. But if that were eventually to prove the solution on the political

side, there would have to be equally far-reaching changes on the technical side. For instance, the main defence policy committee (at present the Chiefs of Staff sub-committee) might well be loosed from its departmental preoccupations, and be associated only with the Co-ordinating Ministry. A further step in the same general direction would be to constitute a Ministry of Defence Supply, for whom the Principal Supply Officers would jointly form the chief technical staff; this Ministry would be responsible for all aspects of industrial co-ordination. If changes were made on those lines, the ministerial representation of the three different services by under-secretaries would be a logical element in the whole scheme.

These proposals, however, are indeterminate in detail even in the eyes of those who most strongly urge a thorough-going reform of our existing system. The common man can hardly be expected to make up his mind upon them. But he recognises, as all of us must, that we are only just beginning to tackle the problem of defence co-ordination; he suspects, moreover, that the underlying difficulty is the sectional training and interest of the service officers mainly concerned. The Imperial Defence College was an invaluable start towards the training of a civil and service staff in the problems of imperial defence as a whole, and its results are going to be more and more widely felt as time goes on. The ideal would doubtless be for every service officer who looked for high promotion to have as a necessary qualification a period of training with an arm other than his own, either in a staff college or in the field. The problem of co-ordination at the top would then be far lighter.

THE "STABILISATION" OF EAST ASIA

I. The Change of Government in Japan

FOR the second time in four years a Japanese Ministry, supported by a majority in the Diet, has been overthrown by assassination. On May 15, 1932, Prime Minister Inukai was shot down and killed in his official residence by a band of six young naval officers, led by a lieutenant, and eleven ex-students of the Military Academy. On February 26 of this year Prime Minister Admiral Okada was likewise attacked in his official residence by a body of troops about to entrain for Manchuria, and narrowly escaped death by hiding in a cupboard; his Finance Minister, Mr. Takahashi, and the Keeper of the Privy Seal, Admiral Saito, were, however, killed by the rebels, and when he at last managed to escape from his hiding-place his resignation from office was accepted by the Emperor.

The Japanese public reacts in a peculiar way to events of this kind. It is not that public opinion is negligible in Japan—far from it—or that the Japanese as a people are easily intimidated by violence; it is rather the existence of an attitude that accepts "patriotic" assassination as an *ultima ratio* of political life. In England, if Mr. Baldwin were to be shot at No. 10 Downing Street by a band of Sandhurst cadets, the general reaction of the public would be: "Let us, whatever our party differences, rally in support of properly constituted authority against this monstrous attack". In Japan it is rather: "The Government must have been guilty of a grave dereliction of duty to have aroused such strong feeling in patriotic young

officers; at such a time as this we cannot allow ourselves the luxury of parliamentary government, but must look to the leaders of the fighting services, who alone are superior to the corruption of party politics ".

The main object of the outbreak just over two months ago was to prevent the effective return to power of the Minseito party—and it has prevented it. This fact has been obscured in the presentation of news to the British public by commentators who, having discovered that the government of Japan is not a pure parliamentary democracy, have gone to the opposite extreme and assume that the political parties of the Diet are of no importance at all. Japan, however, is by no means yet a totalitarian State, and the conflict of parties in the Diet is a very real one; the political life of Japan is to be compared, not to that of present-day Nazi Germany, but rather to that of pre-war Imperial Germany, where there was a similar system of parliamentarism with a plurality of political parties but without full control of the executive. In Japan, as is well known, the army and navy have great influence in the shaping of national policy, partly because the supreme command of these services is reserved as an imperial prerogative outside the control of the Diet, and partly because of the rule by which the War and Navy Ministers in the Cabinet must be general officers on the active list. But this state of affairs does not mean simply, as is often supposed, a tug-of-war between fire-eating militarists and pacific civilians. The situation is much more complicated, and cannot be properly understood without reference to the conflict between the two major parties of the Diet—the Minseito and the Seiyukai.

Broadly speaking, the Minseito is the party of the shipping interests and of the industrialists concerned with export trade, especially the Osaka textile manufacturers. Since these interests aim at reducing their costs of production in order to win foreign markets, the party seeks economy in state expenditure and is unwilling to aid

agriculture either by protection or by subsidy. since it stands for world-wide trade expansion, a pacific and conciliatory foreign policy and of large and costly *commitments on the mainlan* It is thus disposed towards "liberalism" both in and in foreign affairs. At the same time it advc maintenance of a strong navy for the security of th and its shipping.

The Seiyukai, on the other hand, combines twc forces hostile to Minseito liberalism: first, the interests, which tend to be sacrificed for the sake industries, and second, a group of big financial a industrial interests which are primarily concern with a protected home market or else with capit ment enterprises in Manchuria and China. Tl stands for economic nationalism and for a "posi coercive continental policy, contrasted by *its* e with the "negative" conciliation policy of the Mi

It goes without saying that the army stands ı the Seiyukai than to the Minseito. The griev the impoverished rural classes make themselv in the conscript army and in its officers' cor loudly, indeed, than in the Seiyukai), and the and prestige-political aims of the army chiefs on th mainland converge with the economic purpose business groups associated with the Seiyukai. T on the other hand, inclines towards the Minse being a service with a small specialised person hardly affected by the agrarian unrest that perv army, and, being professionally devoted to a do the primacy of sea-power, it is generally oppose schemes of the army for expansion on the n However, there is no such conflict between the ı the Seiyukai as there is between the army and the M for both parties are agreed on the need for a] navy, whereas the Minseito stands for a clippin wings of the army and reduction of its expenditure.

But, whichever party is in power, there must be a War and a Navy Minister in the Cabinet, and for this purpose a general and an admiral must be persuaded to join the Government. If no qualified person will consent to serve in either of these offices, a Cabinet cannot be formed, and on any issue, therefore, on which the opinion of one of the services is strong and united it can exert very great pressure on the dominant political party. But the government of the country could not be carried on if the service chiefs constantly refused their co-operation, and in practice matters are usually arranged by compromise, so that even a Minseito Cabinet gets its War Minister from among the generals. The position of a Minseito War Minister is, however, an extremely difficult one, and he must be exceptionally clever if he is neither to be at odds with his Cabinet colleagues nor to lose his popularity with the officers of the army.

In the last seven years there have been three general elections in Japan; the Minseito obtained a majority early in 1930, the Seiyukai in the spring of 1932, and the Minseito again in the elections three months ago. In 1930–31, Japan was governed by a Cabinet with the Minseito party leader (Hamaguchi at first, and later Wakatsuki) as Prime Minister, Baron Shidehara as Foreign Minister, and General Minami as War Minister. Minami strongly opposed Shidehara's policy of conciliation towards China, and went so far as to denounce his colleague for it at a conference of divisional commanders early in 1931; he is also alleged to have been implicated in the "March conspiracy", which was a plot for the violent overthrow of the Government hatched by a group of army officers. This devious course did not save Minami from falling into disfavour with the army, which began to rally round the generals of the so-called Saga clique—Araki, Mazaki, and Muto, who had political connections with the Seiyukai. After the Mukden incident in September 1931, the position of the Minseito Cabinet became increasingly difficult,

and finally a split in the party forced it to resign towards the end of December. The Seiyukai party leader, Inukai, was called on to form a Ministry, and appointed Araki to be War Minister. Araki extended the scope of operations in Manchuria (which the Minseito Government had been trying to restrict) and sent General Muto to take command. Meanwhile an appeal to the country resulted in the return of a Seiyukai majority in a general election. But the current of events was moving too rapidly even for the Seiyukai, which was now in its turn attacked by anti-parliamentary "fascist" societies of young officers and students, and on May 15, 1932, terrorists assassinated Inukai. Sections of the army that were involved in this movement planned to seize the capital and demand a military dictatorship; the scheme miscarried owing to the attitude of the Tokyo gendarmerie, but the Seiyukai were not allowed to form a new Cabinet, and the cry for a "National Government" resulted in the formation of a Ministry containing members of both the political parties, but headed by a non-party figure, Admiral Saito. General Araki remained War Minister.

From May 1932 until just over two months ago the Prime Minister of Japan was an admiral. When, in the middle of 1934, Admiral Saito resigned owing to financial scandals that involved two members of his Cabinet, he was succeeded by Admiral Okada. The appointment of admirals as Prime Ministers was made on the nomination of Prince Saionji, the last surviving Elder Statesman, apparently on the principle that if power was to be taken away from the Diet it should be given to the navy rather than to the army.

Nevertheless, for the first year of admiralty government there was in fact an army-Seiyukai ascendancy in Japanese politics; the Seiyukai retained its majority in the Diet, and the army held popular support for the recognition of Manchukuo and defiance of Geneva. But after the spring of 1933, when it became clear that the League of

Nations would take no action against Japan, the international tension relaxed and a new quarrel between army and navy broke out. As the time approached for renewal or revision of the Washington naval treaty, the navy resolved to concentrate national policy on obtaining a revision of the ratio system, and with this end in view sought to restrain the army from further continental activities that might dissipate national strength. The first symptom of the new trend was the resignation of General Araki on January 22, 1934; this was ostensibly on grounds of ill health, but it was suspected that the decline of his political influence was the more important reason. He was succeeded by General Hayashi, who soon began to alienate the extreme militarists by disciplinary measures directed against the political activities of young officers.

Admiral Saito preserved the "national" character of his Government until its fall, but his successor, Admiral Okada, broke with the Seiyukai majority in the Diet, and the Minseito became virtually the Government party. *The Seiyukai went into opposition, but some leading* members of the party (including Takahashi, who became Finance Minister) joined the Government, and efforts to upset Okada were a failure. The Government identified itself more and more with the Minseito, and finally at the beginning of this year it went to the country in a general election and asked for a Minseito majority, which the electors gave it. Admiral Okada's position appeared to be established. Actually, he was destined to be swept away by a military *coup* only a few days after his decisive electoral success.

Superficially the action of February 26 was a failure, for the rebel troops were compelled to surrender to "loyal" forces, and a number of generals and high officers (including Generals Araki and Mazaki) who were identified with the extremist agitation in the army were subsequently placed on the retired list. Thus the discipline of the

service was maintained. But the principal object of the outbreak was achieved. For Admiral Okada, though he escaped from his would-be assassins, was not retained in office, and his successor was neither an admiral nor a Minseito partisan. Mr. Hirota, the new Prime Minister, is not a party politician, but a bureaucrat, a career diplomat; as such he was Foreign Minister in the Saito and Okada cabinets, and he is acceptable to the army because of his zealous advocacy of a Japanese "Monroe Doctrine" for East Asia. He is a member of the Great Asia Society, which is affiliated to the Society of the Foundations of the State (*Kokuhonsha*), the influential political club founded by Baron Hiranuma, now President of the Privy Council. The extreme chauvinist generals, Araki and Mazaki, are members of the *Kokuhonsha*, and it is said that after the assassination of Inukai in 1932 Araki demanded that Hiranuma should be made Prime Minister, but was overruled by Saionji, whose advice by constitutional usage is followed by the Emperor in appointing to that office. Mr. Hirota's political connections, such as they are, are thus with chauvinist and anti-liberal circles, and he must be regarded as their representative, though his wide experience of diplomacy and knowledge of the world will no doubt make him more cautious than the army chiefs would like him to be.

II. Coal, Iron, and Oil

THE recent *coup* could hardly have been so successful in bringing about a change of Government had it not been for factors that since the beginning of the year have caused the navy to draw nearer to the army and find agreement with it on certain major issues of policy. The navy was in opposition to the army during 1934 and 1935 for particular reasons which have now ceased to apply. The navy's attitude was determined in relation to the question of the revision of the Washington naval treaty.

The admirals demanded that when the treaty came up for renewal Japan should denounce it and press for a new treaty free from the objectionable ratio system, that an agreed revision should be obtained if possible, but that if Great Britain and the United States refused to concede parity Japan should decline to enter into any agreement at all for limitation of naval armaments. In order to carry through this policy it was necessary to mobilise national opinion in support of it, and at the same time to avoid international complications that might weaken Japan's bargaining position; it was above all necessary to restrain the army from continental activities likely to lead to war with Soviet Russia or renewed hostilities in China. In order to be assured of the proper conduct of national policy with regard to this question of supreme importance for the navy, the admirals gave full support to Okada as Prime Minister. But with Japan's resignation from the London naval conference and her departure into isolation, Okada's special task was finished, and his further career as a party politician was regarded with no great sympathy by his brother admirals. The navy chiefs began to be more conscious of their common interest with the army, first in screwing up armament expenditure to the highest possible figure, and second (a matter affecting foreign policy) in securing adequate fuel and metal supplies for the national war-power.

No one of the great Powers except Italy is so deficient as Japan in the resources essential for large-scale industrialisation. The reserves of coal and iron ore in Japan and her colonies are extremely small, there is hardly any good coking coal, and oil is virtually non-existent. Japan has built up her industries largely on a basis of imported ores and fuels, but this means that her national economy is precarious even in peace-time in a world of sovereign States, whereas in war-time it could not continue to function for want of essential supplies, much less expand to meet the enormous demands of modern warfare, unless the State

were able to secure access to other sources of supply beyond its borders.

The problem of oil supply has been of special concern to the War and Navy Ministries. Japan normally imports nearly nine-tenths of the petroleum she consumes. To meet the danger of being cut off from oil supplies in time of war, the Government two years ago enacted a law (which was extended to Manchukuo in spite of British and American protests) whereby oil companies doing business in the country were bound to keep six months' stock in tanks on the spot. This measure, however, could not provide a real solution of the problem, nor was it possible to rely on the oilfield in Sakhalin worked by a Japanese company with a concession from the Soviet Union. But now a new line of development has been opened up. The great enterprise of Nazi Germany in seeking to render herself self-sufficient in oil by production from coal has decided the Japanese to do likewise, and the problem of oil supplies thus becomes identical with that of coal reserves.

The coal reserves of China have been estimated, as the result of a systematic survey, at nearly 250,000 million metric tons, as contrasted with less than 10,000 million in Japan and her colonies; moreover, China has an abundance of coal of good coking quality for metallurgical processes, in which Japan is deficient. There can be little doubt that if China had started to industrialise herself at the same time as Japan, and with similar conditions of investment, technical efficiency and civil order, China and not Japan would be to-day the big industrial power of the Far East. But historically it is Japan that has developed industrially, and now her rulers are resolved that China's much greater industrial capacity shall be developed, not in rivalry to Japan, but under her control and direction.

The coal resources of China are concentrated in the province of Shansi next-door to Hopei, in which Peiping and Tientsin are situated; the Shansi coal reserves are

estimated at 51·25 per cent. of China's total (including Manchuria), but the province accounts for only about 8 per cent. of the total production in China and Manchuria. Manchuria and Hopei contain together a little over 3 per cent. of the total estimated reserves, but account for nearly 70 per cent. of the production, the fields being worked by the Japanese in Manchuria and mainly by British interests in Hopei. Shansi and Hopei both yield good coking coals, which are scarce in Manchuria. When these facts are taken into consideration, it is easier to perceive the significance of the "five provinces scheme", which the special mission of the Kwantung army sought to put into effect last year.* The five provinces that were to be detached from Nanking comprised not only Chahar and Suiyuan outside the Great Wall, but also Hopei, Shansi, and Shantung. Of the five in the original plan only Hopei and Chahar were induced to accept "autonomy", and these not to the extent anticipated. Up to the present, Shansi under the rule of General Yen Hsi-shan has remained outside the sphere of Japanese control. But if the foregoing analysis of the situation has been correct, the separation from China of both Hopei and Shansi has become an objective of Japanese policy on which the new Government in Tokyo is not likely to compromise.

Geographical, economic, and political conditions indicate a regional unity of Liaoning (South Manchuria), Hopei, and Shansi provinces under Japanese domination as the future main base of heavy industry in East Asia. With a planned development of the whole area Japan will become self-sufficient for emergencies in coking coal and oil; the exploitation of the low-grade iron ores of Manchuria will become increasingly profitable; and a new market for the Japanese lighter industries will be created. Shansi can be developed only by means of new railways, and these

* See The Round Table, No. 102, March 1936, pp. 288–305 (including map).

will presumably be undertaken by the South Manchurian Railway Company, which now holds a monopoly of all railway construction in Manchukuo. The symbol of the new expansion is the Showa Steel Works at Anshan, now the second largest steel plant in the Far East, equipped to turn out 400,000 tons of pig iron and 350,000 tons of steel annually.

III. Japan, China, and the U.S.S.R.

"We desire", said Mr. Hirota in a prepared statement to foreign correspondents on March 25, "to secure the stabilisation of East Asia and at the same time to foster cordial relations with all countries. . . . We shall endeavour . . . to bring about co-operation between Japan, Manchukuo, and China. We shall cultivate friendship with Great Britain, the United States, and Russia, thus fulfilling our great mission to stabilise East Asia".

"Co-operation" between Japan, Manchukuo, and China may be taken to refer to the idea of a "Japan–Manchukuo–China economic bloc", which is much discussed in Japan, and the emphasis on "stabilisation" points to a renewed attempt to realise the five-provinces separatist scheme. Last year the attempt broke down because it had not a sufficient backing of force, and the failure of the Okada Government to provide such a backing was one of the most serious shortcomings laid to its charge by the chauvinists. This year we may expect to see the plan carried through even if it involves large-scale military operations. It is unlikely that Japanese troops stationed in North China will be used outside the Peiping–Tientsin area, or that this area will be the base of operations in view of the friction with the Western Powers that would result from turning northern Hopei into a theatre of war. If a campaign is launched, it will probably be carried out by the Kwantung army, first occupying Chahar and Suiyuan as far as the railhead at Paotou on the great northern bend

of the Yellow river, and then invading Shansi from the north along the motor road from Tatung to Taiyuan. In any case Chahar and Suiyuan, provinces of Inner Mongolia outside the Great Wall, must be occupied as a preliminary to any advance in North China, in order to provide cover against a possible Soviet intervention from Outer Mongolia.

The Tokyo action of February 26 was followed by a significant change in the Japanese military command in Manchukuo. The commander of the Kwantung army, which holds the borders of Manchukuo, has extraordinary powers that make him virtually the ruler of the country, and the post is therefore one of the greatest importance in the Japanese military-political system. Under the Okada Government it was given to General Minami, who was the Minseito War Minister in 1929–31. After the February mutiny this general, compromised by his political connections with the anti-expansionist politicians, was replaced by General Ueda, who commanded the Japanese expeditionary force at Shanghai in 1932 and is free from the taint of Minseito-ism. Ueda's arrival in Manchukuo was followed by several clashes of great violence on the Siberia–Manchukuo and Mongolia–Manchukuo borders, and by Moscow's announcement of a treaty of defensive alliance between the Soviet Union and the Mongol People's Republic (that is, Outer Mongolia, which is still internationally recognised as under the sovereignty of China). The proclamation of the alliance, preceded by a definite statement of intention from Stalin himself, has served as a solemn warning to Japan that Russia is ready to go to war if Outer Mongolia is invaded. It was nevertheless in a sense a diplomatic success for Japan; for Russia has been compelled, first, to acknowledge openly the character of her relations with the Mongol republic (instead of maintaining the fiction of China's sovereignty there), and, second, in making a treaty of alliance with the Mongols without China's consent, to violate both the Sino-Soviet

Treaty of 1924 and Article 10 of the Covenant of the League of Nations, to which Russia so recently vowed fidelity. The Nanking Government made a formal protest to Moscow on the publication of the treaty, and Sino-Russian relations have not been improved by an act that finally removes from China's control another vast area of what was previously, at least in juridical form, Chinese territory.

The Japanese–Soviet border clashes are to be interpreted as part of a process of minatory bargaining for a settlement, rather than as reflecting a real intention of Japan to make war on the Soviet Union. The Japanese might have taken the Siberian Maritime Province without great difficulty early in 1932, if they had not then dissipated their strength and ruined their international diplomatic position by their action at Shanghai. To-day the opportunity for an easy victory over Russia is a thing of the past, and a war would be a very costly and desperate affair with a grave risk of defeat and no worth-while spoils of victory. The riches of the Soviet Union lie in Europe and western Siberia, not in eastern Siberia or Outer Mongolia; the economic indicator for Japanese imperialism points towards Tientsin and Shanghai, not towards Vladivostok or Urga. Why indeed should the Japanese play for low stakes at great risk when they can play for high stakes at small risk? The communists and their friends talk a great deal about the plan of attack on the Soviet Union in the Far East, and it cannot be denied that there is much anti-Soviet sentiment in the Japanese army, but surely Marxists should be the last people to maintain that sentiment determines policy against the main line of economic interest. China, and not Siberia, must be in the long run the paramount concern of Japan's continental policy. But in order to achieve Japanese aims in China it is necessary to drive a territorial wedge between China and Russia, and to establish a good strategic frontier against the Soviet power in Mongolia. The Russians for their part are certainly anxious for a settlement of outstanding issues with Japan;

ile the Soviet Government is resolved not to yield of Soviet territory, nor to allow a Japanese conquest Mongol republic, its first concern is with the ·an situation, which holds for it a threat far more than the menace from Japan, and there is reason eve that it would go far to obtain an agreement pan that would enable it to concentrate its strength ope. At the moment of writing, the commotion : Soviet–Manchukuo border has subsided, and l Voroshilov has received an invitation to come to though it is not yet certain whether his Govern-rill allow him to go. Whether he goes or not, it ıble that there will be a further relaxation of tension ı Russia and Japan, and that General Ueda will turn his attention towards the south-west.

BROADCASTING IN THE DEMOCRATIC STATE

By a Correspondent

I. A Plea for an Open Mind

BROADCASTING in England dates only from 1922, and since that date it has been the subject of no less than three major official enquiries. The last of these, under the chairmanship of Viscount Ullswater, has recently published its report. The Ullswater Committee was asked to consider the constitution, the control and finance of the broadcasting service in this country, and to advise generally on the conditions under which the service should be conducted after the end of this year, when the present charter of the British Broadcasting Corporation expires. As eleven years have elapsed since the last report was made, the committee might have construed their terms of reference widely and have considered the whole matter afresh, taking into account the experience of broadcasting under different systems in other countries. Unfortunately, they seem to have accepted the present organisation without adequately reviewing other possible systems; the advantages and disadvantages of a public corporation, much less the possible danger of vesting the whole service in one autocratic body, are not examined in their report.

The committee recommends that the present charter of the B.B.C. should be extended, subject to some minor changes, for a term of ten years, and in general its report confirms the recommendations of the Crawford Committee of 1925 that the broadcast service should be conducted

by a public corporation acting as a trustee for the national interest and that its status and duties should correspond to those of a public service. In this respect it has done its work as though its terms of reference were to report on the work of the British Broadcasting Corporation and to advise what changes (if any) are necessary in its present organisation, rather than to consider in the light of experience from all countries the whole question of broadcasting, using the B.B.C. as one of many examples of the way in which such a service can be organised. In view of *the infancy of this industry and its importance in a democratic* community, it is only proper that the constitution, control, and finance of the service of broadcasting should be fully and widely reviewed.

The idea of a public corporation acting as a trustee for the national interest is no doubt the machinery that most socialists wish to see adopted almost universally as the form of industrial organisation. In respect of many industries the reasons advanced for such a form are: first, the elimination of private ownership so that the State and not a group of individuals benefits from the income or capital profit of the undertaking; second, the concentration of organisation under one control, which eliminates the waste of competitive enterprise and at the same time makes efficient planning of industry possible; and, third, the development of industrial organisation on the lines of more democratic control within the industry and more public control outside. The arguments against such a system of control are the interference by politicians in the every-day management of the business, the direct interference of Parliament in the financial management of an undertaking, the refusal of the Government to take a proper but unpopular line with an organisation that may have a substantial public interested in its operations, and the absence of that stimulus for progress and development which comes from rivalry between different competing organisations.

Whatever advantages there may be for public ownership

and control of such public utilities as transport, coal, electricity, gas, or water, are they so applicable in regard to broadcasting? The nationalisation of the mining industry, which deals with a commodity only, raises no more thorny problems than that of compensation; but broadcasting is in a different category altogether. With the press and the films it is one of the three great organs moulding public opinion. The British Broadcasting Corporation has a monopoly of the most popular form of presenting knowledge, news, thought, and discussion. We may want uniformity in the quantity or quality of gas or electricity, together with a uniform rate, but we do not want the same uniformity in broadcasting. The supply of electricity or gas cannot be used, as the radio can, to mould public opinion or to spread news. Furthermore, with a basic commodity or service to distribute, it is comparatively simple for a public utility corporation to act as a trustee in the national interest. Light and heating the public want, and they want it in much the same forms and in much the same quality. But that is not true of broadcasting. How is freedom of speech to be safeguarded when all the stations are under the same control? It is no light task for a corporation to act as a trustee in the national interest when there are as many ideas of the national interest as there are political or social organisations, or for the governors of the British Broadcasting Corporation to act strictly as trustees when their powers are incapable of definition and their beneficiaries and their beneficiaries' needs and requirements are changing from day to day.

It is the peculiar nature of the work done by the broadcasting service that differentiates the B.B.C. from any other public utility—for example, the London Passenger Transport Board. Can the broadcasting service be properly monopolised by the State without endangering that freedom of thought and discussion which is a cardinal principle of any democracy that claims to be free? The

comparison that comes to mind is the press. We l hardly reconcile a free democracy with a nationally ·d press—a British Newspaper Corporation created by er and under the control of the Government of the day. of us would like to see a British Newspaper Corion—with the sole monopoly of printing and disting news—operating under licence from the Home tary. Freedom of the press has grown up only by a nual *process of less interference by the State and the* ıal relaxatıon of restrictive legislatıon. In detaıl, reedom of the present-day press is fundamentally ıdent upon advertising revenue; for the venalıty of a paper is a functıon, not only of the morals of its editor vners, but also of its financıal resources. Even con›y capitalist magnates is preferable to the bribery of ially unstable newspapers by specıal interests, of which n continental countries furnish too many examples; ıe influence is at least open and known. No one in ountry would be satısfied with a state monopoly of ewspapers, whoever the Board of Governors mıght nd if we wıll not accept a state monopoly of the press, s it that we support the state control of broadcasting ablished here, and as recommended by the Ullswater nittee to contınue?

e first answer to such questions is that it is necessary ve some form of state control. On the technical ıds of the use and allocatıon of a lımıted number of lengths there must be some body controllıng the num- broadcasting statıons in Great Brıtain, and the State ıously ındıcated to exercıse that control. But such swer does not fully dispose of the question. If the er of *lıcences ıs to be limıted, cannot the State give* ıce to more than one body? And need the body to ı the licence is given always be a public one? If it is ed *that ın matters* of opinion there should be the expression of ideas, ıt would seem unreasonable e the monopoly of broadcasting to one corporation,

and not to divide it among different groups on conditions that would provide sufficient scope for the presentation of all ideas. It is at least worth considering whether a system of many stations could not be established here, and whether that system would be a sufficient protection against the danger of monopoly.

In Great Britain there is a nationally owned system whose revenue is derived from licence fees. In the United States there is a multiplicity of stations whose revenue is derived from advertising. The Ullswater Committee dismisses the introduction of advertising in so few lines as to lead one to suspect that its members did not approach the problem with open minds and with the determination to make the most of experience in other countries with different systems from our own. Direct advertising was rejected because the committee was " most anxious that the intellectual and ethical integrity which the broadcasting system has attained should be preserved ". Were not one of the members of the committee the chairman of our most famous newspaper, one might infer that they believed the press in this country to have neither intellectual nor ethical integrity. Is there any reason to suspect that if direct or sponsored advertising were introduced the intellectual and ethical integrity of broadcasting in the country would depreciate ?

People have a horror of introducing into England some of the systems of radio advertising to be found in certain foreign countries. But it is unreasonable to condemn all forms in all countries, and we might draw special benefit from experience in other parts of the Commonwealth. In Australia there is a combination of both systems. That country has a national service on the lines of the British Broadcasting Corporation. At the same time the Postmaster General has power to issue further licences for privately owned stations. These stations are partly financed by advertising and are carried on—like any newspapers or stores—as commercial enterprises; some are

owned by and organised in the interests of political parties and religious orders. The existence of this system does extend the range of subjects discussed and the type of programme given, and it does provide for the fullest expression of all shades of opinion. Furthermore, the competition of these " B " class stations, as they are called, serves as a very excellent stimulus to the National Station. To those who fear that, once allowed to creep in, advertising will monopolise all the time, these stations are instances to the contrary, for their sponsored advertising has not had that effect. This at least could be said for such a system, if it were adopted here: that it would provide revenue for more programmes and give listeners an opportunity of listening to operas, concerts, and talks that are barred to-day by lack of funds.

Admittedly there are powerful and familiar arguments on the other side; this is not a brief for radio advertising, but a plea for keeping an open mind. It may be that the great majority of listeners in Great Britain would dislike above all other considerations the punctuation of programmes with announcements that they were hearing this or that by courtesy of some advertiser. But this has certainly not yet been proved, and it is noteworthy that a great many British listeners nowadays switch on to popular programmes from " pirate " advertising stations in neighbouring European countries, stations that are becoming so well established as to remind us that some of the pioneers of the Empire's command of the seas came close enough to the verge of piracy. In these times, when freedom is on the defensive, it is surely unwise to reject, without much more profound consideration than seems yet to have been given, a system that is the bulwark of the present-day freedom of the press.

The Ullswater Committee dealt shortly with the question of regions for broadcasting purposes, but did not specify the number of regions "as the allocation or use of wave-lengths involves technical questions". It seems unfortunate

that they apparently did not consider any fundamentally different form of grouping. The report says that it is "clearly undesirable that large populations which differ widely in their character and culture should be combined within a single region". Surely the tastes of one class of the population in the Midlands are very much the same as those of a similar class in the West or in the North. An experienced constructor of broadcast programmes would presumably say that the difference between those who have tea at six and those who dine at eight is much more important for his purposes than the difference between those who talk with a Cockney and those who talk with a Lancashire accent.

If it is possible with the limited range of wave-lengths at our disposal to have, say, seven stations in Great Britain, we would do well to consider with an open mind the possibility of a different system from that of a single corporation controlling all the broadcasting stations. Several possibilities suggest themselves. Instead of having one broadcasting corporation operating a national and many regional stations, we might have seven broadcasting corporations each operating one station, all under a charter from the State and under licences from the Postmaster General, but the whole seven licensees being on an equal footing among themselves. In this way, it may be claimed, we would provide for each station six competitors, and there would be more opportunity for the expression of different views, greater freedom, and much greater variety in the programmes produced. A change along these lines could be carried out in either of two ways. The stations could all be public corporations similar to the B.B.C., or alternatively some of them could be state owned and controlled, like the B.B.C., and some privately owned.

There is a further suggestion that might be considered. Instead of a purely regional distribution of stations, could not the wave-lengths be allocated according to subject matter, and not according to geography? Broadcasting

has many aspects—education, music, drama, amusement, and news all find their place in the programmes. The suggestion has been put forward that there might be a series of stations each operating under a separate charter and an official licence, and each one primarily responsible for a particular class of broadcasting work. There could be one station for news, another for education, a further station for political parties, another for concerts, operas and music, and still another for lighter entertainment and amusement. (This catalogue is not meant to be comprehensive or precise.) Each of these stations would be free to supply complete programmes as the British Broadcasting Corporation does to-day, possibly exchanging parts of programmes with other stations, or hiring them for a fee. But the governors of the several corporations would be for the most part experts in their particular branch; and the licence would provide that a certain minimum share of programme time must be devoted to the particular work for which the station had been organised. For example, the board of control of the educational station would be composed of nominees from the different universities and schools and from the Board of Education, and entrusted with providing such educational broadcasts as in their opinion were valuable. This would not mean that they would be excluded from relaying news or from giving musical or entertainment items, but the licence would provide that a certain percentage of the time of the station was allotted to educational programmes, and the special interests of the persons in charge of the station would be a sufficient guarantee that the major part of the service was devoted to educational broadcasting. The other stations could be constituted in a similar way. For the political stations an arrangement could be made between the political parties whereby the time was allocated between them by agreement, with the Speaker as arbitrator in the event of any dispute.

These are only suggestions, necessarily inchoate in form.

The trouble is, not that they have been wrongly rejected, but that they do not seem to have been considered at all. The interests of democracy and freedom are so vital that no plan should be lightly spurned that seeks to safeguard them, whether by the division of the broadcasting service between a number of licensees or by any other means.

II. A Balance of Powers

THE question of the degree and character of state control of broadcasting is in a large measure incidental to that of the type of broadcasting concern—whether it should be a single public corporation, or several public corporations, or privately owned and managed stations, or a combination of the two systems. But the two questions are not identical, for it is clear that even with the most completely individualist system the Government must retain some ultimate right of control. The State cannot afford completely to relinquish, at least in emergencies, its grasp of so powerful and all-pervading an instrument as broadcasting.

The British Broadcasting Corporation, though described in the Crawford Report as having a status and duties corresponding with those of a public service, is different from a state department or a public service. In the first place it does not transact the ordinary business of the State, and in the second place if it is to be effective it must have a certain amount of independence and not be under the direct control of a Minister as an ordinary state department must be. The question is one of reconciling the control by the State with the independence of the Corporation, and this question has been the subject of much discussion by the different committees that have reported on broadcasting. The Crawford Committee stated that

> the prestige and status of the Commission should be freely acknowledged and their sense of responsibility emphasised; that, although Parliament must retain the right of ultimate control and the Postmaster General must be the Parliamentary

spokesman on broad questions of policy, the Commissioners should be invested with the maximum of freedom which Parliament is prepared to concede.

Subsequently the Postmaster General said in the House of Commons on November 15, 1926:

While I am prepared to take the responsibility for broad issues of policy, on minor issues and measures of domestic policy and matters of day-to-day control I want to leave things to the free judgment of the Corporation.

Finally, a resolution was passed in the House of Commons on February 22, 1933, in the following terms:

That this House, being satisfied that the British Broadcasting Corporation maintains in general a high standard of service, is of opinion that it would be contrary to the public interest to subject the Corporation to any control by Government or by Parliament other than the control already provided for in the charter and the licence of the Corporation; that controversial matter is rightly not excluded from broadcast programmes, but that the governors should ensure the effective expression of all important opinion relating thereto; and that only by the exercise of the greatest care in the selection of speakers and subjects can the function of the Corporation be fulfilled and the high quality of the British broadcasting service be maintained.

Two distinct questions have to be considered: the extent of state control, and whether that control is to be parliamentary or ministerial. Under certain sections of its charter the B.B.C. is bound to observe the provisions of any licence granted by the Postmaster General and any instructions that he may issue from time to time. The Corporation is also bound to broadcast any matter that any government department may require, and to refrain from broadcasting any matter that the Postmaster General may specify. Finally, there is a provision for direct government control of all broadcasting in a national emergency.

On two occasions since 1925, namely in 1926 and 1931 (both periods of political turmoil), undue influence of a political party has been alleged. Mr. Attlee deals rather fully with this aspect of the matter in his reservations to the

Ullswater report. He agrees that the control of the British Broadcasting Corporation by the State in an emergency is obviously necessary, but he emphasises that there is a point at which it is difficult to decide whether the emergency is that of the State or that of the Government as representing the political party in power. By way of illustration, he instances the two occasions mentioned above, when the broadcasting system was used by the Government of the day in order to support its own policy, which may or may not have been for the benefit of the State.

Complaints such as these are symptomatic. It is not only Mr. Attlee's supporters who are anxious about the relations between the Corporation and the State. The present phase of widespread public and parliamentary desire for larger opportunities of criticising the conduct of the B.B.C. is a logical development from the plan of establishing a powerful monopoly, and it may be that we are at a moment of transition to still another phase. The Ullswater Committee recommended the appointment of a Minister to answer questions on the "cultural" side of broadcasting. In the debate in the House of Commons a demand for at least one day a year of parliamentary time for the discussion of B.B.C. affairs received a wide measure of sympathy. This is bred of a just desire to keep under the democratic eye of Parliament a powerful thing that Parliament has created. But the connection between the Corporation and Parliament must be through a Minister, and a Minister is a member of a Government and of a political party. If he has to answer questions and respond to criticism he will not be content to be only a mouthpiece, but will seek by his influence, rather than by his legal powers, to make the conduct of the British Broadcasting Corporation such that he can agreeably defend it. The logical conclusion of the public monopoly system is ministerial authority; the check on ministerial authority is parliamentary and public discussion.

It is, after all, a choice of evils, but we ought to be

clear in our minds which road we are following. Are we to safeguard freedom, under this powerful régime of the radio, by some attempt at analogy with the freedom of the press, or are we to safeguard it through a balance of powers between a corporation, the Government, and the parliamentary watchdog? The Ullswater Committee virtually dismisses the first alternative, and enough has been said about it in the earlier part of this article. The second requires that the control of the State should be as far as possible a parliamentary and not a ministerial control. Apart from requiring messages of urgent public importance to be given, all other instructions should be subject in the first place to a resolution of Parliament. A Minister wishing to enforce any order would in the first instance have to face the publicity of the House and the press in having his order confirmed by Parliament. Furthermore, the clause in the licence whereby broadcasting can be taken out of the Corporation's hands in the case of emergency should be effective only after a resolution of both Houses of Parliament has been passed. Clearly enough, a Government with a substantial majority in both Houses could at any time get a resolution through on a party vote, but on the other hand the discussion that would be necessary before the resolution was passed would be such as to give the country an opportunity of considering not only whether the need for such control had arisen, but also whether the power was being properly exercised.

There can be no doubt that the State must in the final resort have complete control of the broadcasting system of the country. It is important, however, to ensure that in exercising this control it will do so in the interest of the country as a whole and not in the interest of a group, and this can be safeguarded, first, by giving as full a power as possible to the Corporation, secondly, by making the directorate of the Corporation as widely representative as possible of the different interests in the country, and thirdly by providing that no state control shall be directly exercised

without its having previously received full publicity by a proper discussion in Parliament and in the country.

III. Finance

THE independence of the Broadcasting Corporation depends to a certain extent upon the amount of revenue that it is entitled to receive, and the financial relations between the Corporation and the Government raise important issues both as to the development of the idea of a public corporation and as to the place that such finances are to occupy in the national fiscal system. If a public corporation is to be independent and, for purposes of management, free from political control, then it should have the right both to raise and to control its own revenue. On the other hand, the public and the State are entitled to have the fullest information with regard to the raising and spending of this revenue, and the fullest opportunity of discussing this information. Here again any limitation that is to be placed on the Corporation's powers, once they are granted, should be a limitation exercisable only by a resolution of both Houses, so that no Minister as such would have power to interfere with the financial position of the Corporation in any way at all.

At the present time the British Broadcasting Corporation under its licence receives a certain percentage of the money received by the Postmaster General from licence fees. The Ullswater Committee recommends that, once the costs allocated to the Post Office for raising this revenue have been deducted, the share of the remainder to be allocated to the Corporation should not be less than 75 per cent. of the current receipts. It seems that the Commission might have gone even further in this respect and allocated the whole of the wireless fees to the British Broadcasting Corporation, after deducting only the cost of collection. If there is a surplus of receipts over expenditure, as in the last few years, one of two conclusions can be drawn. Either the fees are too high for the service given and the public

could benefit by paying smaller licence fees; or the B.B.C. could spend more money on the entertainment provided for its patrons, so as to use up part of the surplus revenue that it now receives. No one will deny that the field of entertainment has not been fully tapped by the B.B.C., and that there are many concerts and operas that could be relayed, and many artists whom the people of this country have not yet heard "over the air", whose services could for a substantial payment be obtained by the Corporation. If there is to be a monopoly, then the whole of the income arising from the monopolised service should go to the Corporation.

In so far as the Corporation is a public body, then it is important that all the details of its finances should be available for public inspection, criticism, and discussion. Either quarterly or half-yearly accounts should be supplied to Parliament with a full report; they should not be merely a summarised statement of receipts and disbursements (as often a company's balance sheet is), but should be given with the fullest details, so that anyone could ascertain the amount of revenue received by the Corporation and how and in what directions it is spent. Finally, the Corporation should have power (as it has) to borrow money up to a certain amount. The Ullswater Committee recommends that the limit of its borrowing powers might be raised to £1,000,000. It would seem that the limit should be dependent partly on the capital assets that the Corporation possesses, and partly on the revenue it receives each year. In the light of these two facts, the borrowing powers should be such as any other corporation with a similar capital and revenue would be entitled to, in the ordinary way of business and in the open market.

IV. Conclusion

THE British Broadcasting Corporation is an interesting experiment in the form of control by the public of a very important institution. It is too early yet to determine

whether this experiment will be successful, and it will tax all the ingenuity of statesmen to work out a proper form of organisation, that will reconcile the necessary control by the State with the equally necessary independence of the Corporation. A more fundamental consideration at the present time is to determine whether the monopoly should be exercised through one corporation or whether further licences should not be granted by the State to other corporations as well, and whether, in the latter event, these further licences should be held by public corporations similar to the B.B.C., or by corporations privately owned though subject to state control. If the maximum amount of freedom of thought and discussion is to be maintained, it may be that a multiplicity of independent stations subject to state control will be the ultimate form of organisation. Democracy has in its charge an immensely powerful agency for good or ill, which dictators at least have known how to use. It is one of the most vital tasks of government to learn how to make this instrument the agent of freedom, as strong in that cause *as in the service of any dictator.*

A LEGISLATURE FOR PALESTINE?

I. Economic Prosperity and Political Unrest

ONE of the most noticeable features of the post-war epoch has been the growing recognition of the impossibility of extricating politics from economics. Statesmen throughout the world have realised that economic recovery was likely to provide the best escape from political embarrassments, and the cycle of boom and slump has come to be regarded as the most accurate barometer of political stability. In Palestine, however, this principle does not seem to apply. During the last ten years, economic improvement has proceeded at a pace which the most fervent Zionist never dared to expect and which the most rabid Arab nationalist is unable to discount. But this amazing prosperity has brought no relaxation in the political tension. The upheaval of 1929 followed upon three years of steady progress made under the guidance of Lord Plumer. To-day the contrast between economic prosperity and political strife is equally glaring. The figures for the financial year ending March 31, 1936, reveal that the Government has accumulated a surplus of over £5,000,000, an increase of £500,000 on the surplus a year previously. Customs revenue has increased by £1,000,000, and the official immigration figures for the year 1935 constitute a record. At the same time the Palestine Government is more than ever obsessed with political difficulties.

During the last few months the Administration has been made the butt for Zionist contempt in this country and increased Arab hostility in Palestine. The fear of a recurrence of the 1933 riots is always present, and protest meetings organised in sympathy with Arab nationalist

claims in Syria and Egypt have aroused considerable support. More recently, clashes between Jew and Arab in Nablus, Jaffa and elsewhere have resulted in many deaths and injuries. The disturbances apparently began with an attack on some Jews by Arab bandits. Retaliation soon followed, and the situation, especially in Jaffa and Tel Aviv, became so serious that a general outbreak seemed possible at any moment. A general strike was proclaimed, and some of the Arab leaders have demanded its continuance until the Government should agree to the stoppage of Jewish immigration, the prohibition of land sales to the Jews, and the formation of a national Government responsible to a representative council.

This contrast between political and economic conditions gives the clue to the attitude adopted in Parliament and elsewhere in this country towards policy in Palestine. For the Jews are undoubtedly responsible for the economic prosperity, while the Arab leaders must be looked upon as the main source of political unrest. The Jews base all their demands on the provisions of the Balfour Declaration and the mandate. The Arabs make no effort to hide their detestation of the post-war settlement and their complete refusal to accept its implications. The Jews therefore are desirous of working in harmony with the Government, whilst the Arab movement must be regarded as at any rate potentially revolutionary.

II. The Government's Proposals

THESE facts no doubt help to account for the astonishing unanimity in the opposition aroused in this country to the Palestine Government's latest proposals. Ever since 1919, Arab nationalist feeling has been concentrated on two grievances. Arab delegations have continually pressed the Government for a pronouncement, first on the subject of land policy and second on the problem of self-government. It appears that they have now been successful

in extracting from the Government important concessions on both these points. The High Commissioner has announced his intention of passing a law whereby no landowner will be permitted to sell his land unless he retains a minimum area sufficient for his subsistence. The Jews interpret this proposal as a direct attempt to curtail the possibility of land purchase and hamper their efforts to establish a National Home.

The other proposal from the Jewish point of view appears even more serious. At the end of last year definite plans were announced for the institution of a legislative council. According to this scheme, representation for the different communities on the council is to be made roughly proportionate to the numbers of their adherents now residing in the country. The Jews claim that this proposal means that control will be handed over to a community avowedly opposed to the mandate, and that they will be forced to occupy the position of a permanent *minority. Such a change would place in jeopardy the* economic prosperity which is admitted to be dependent on Jewish immigration and Jewish capital. Moreover, British obligations to the Jewish people would obviously appear farcical if the Jew were now forced to wear the badge of sufferance in his own National Home. It is claimed, therefore, that taken in conjunction with the land proposals this new policy constitutes a surrender to Arab pressure and a serious breach of British pledges.

These objections are not the outcome of mere partisanship. The recent debates in Parliament revealed that the new proposal had excited apprehension among all sections of political opinion. The Government's defence consisted mainly of a reliance on the judgment of the High Commissioner, little effort being made in either House to uphold the plan on its merits. Such a defence is obviously unlikely to allay the misgivings of opponents of the scheme. It seems possible, therefore, that the new proposal may give rise to an agitation hardly less harmful to the true interests

of Palestine than that which followed the publication of the Passfield White Paper in 1930. If the Government wishes to meet its critics, three questions must be answered. (1) Is the institution of a legislative council compatible with or required by British obligations and pledges? (2) How valid are the rival claims of Jew and Arab regarding the institution of a self-governing body? (3) Will the new proposal tend to appease or exacerbate communal differences and how will it affect the general administration of the country? This is a question of peculiar interest to the British peoples owing to the varied experience of such institutions that they have been able to acquire in other parts of the Empire.

British policy towards Palestine since the war has been so confused that it is impossible to give a definite answer to the first of these questions. Article Two of the mandate imposed on the mandatory Power the task of securing "the establishment of the Jewish National Home", "the development of self-governing institutions" and the safeguarding of the civil and religious rights of all the inhabitants of Palestine. In Syria the French were required to introduce an Organic Law for the setting-up of self-governing institutions within three years of their acceptance of the mandate. Presumably no time limit was imposed on the British in Palestine owing to the complications that the pledge to the Jews might introduce. But, apart from this limitation, the Arabs in Palestine had the right to suppose that their claim to self-government would not be considered any less favourably than that of the Arabs in Syria.. In any event the introduction of a plan for a legislative council by Sir Herbert Samuel in 1922 clearly revealed that the British Government felt itself under an obligation to introduce self-governing institutions. In 1922 the Arabs boycotted the elections and the plan was dropped. They still hoped to secure a repudiation of the mandate and they were not prepared to follow a course that seemed to imply acceptance of it.

After this first failure the British Government appeared to favour the indefinite postponement of a similar experiment. In 1925 the report of the British Government to the League said:

> The proposal to form a Legislative Council has not been and cannot be usefully revived while Arab leaders maintain their opposition to a fundamental principle of the Mandate.

In June 1930 Mr. Drummond Shiels repeated the same view more forcibly, and went so far as to claim that even negotiations were ruled out until the Arabs accepted the mandate. Later in the same year the Government appeared to revert to the 1922 policy. The Statement of Policy issued in October 1930 said:

> The time has now come when the important question of the establishment of a measure of self-government in Palestine must, in the interest of the community as a whole, be taken in hand without delay.

Following upon this clear pronouncement the High Commissioner said at Geneva in 1932 that he was considering the possibility of a legislative council, and in 1935 the plans were finally issued. It is clear from this short survey that the Government's pledges have been short-lived and contradictory. Opponents of the scheme have claimed that the Government is pledged to postpone self-government until the Arabs accept the principles of the mandate. But the Arabs were openly opposed to the mandate in 1922 and in 1930. In each of these years the Government revealed either by word or deed its intention of introducing a council "without delay". Arab and Jew, Colonial Secretary and High Commissioner, can produce an equal amount of evidence to support either view. In making his proposal Sir Arthur Wauchope may claim that he is following the precedent set by Sir Herbert Samuel and Sir John Chancellor.

In order to discuss the attitude of Jew and Arab to self-government it is necessary first to give a brief account of

the constitution of the proposed council. It is to consist of twenty-eight members, the number being made up of five official, eleven nominated unofficial, and twelve elected members. Of the twelve elected members, eight are to be Moslems, three Jews, and one a Christian. Of the eleven nominated unofficial members, three are to be Moslems, four Jews, two Christians, and two representatives of the commercial community. Clearly this arrangement gives to the Arabs a strong position. The majority of the Christian community are Arab, and it is probable that their representatives would vote with the Arabs on the council; for the nationalist and racial factor making for unity between Moslem and Christian far outweighs in importance any religious difference. It is quite possible, therefore, that the Jews would only be able to defeat a measure sponsored by the Arabs if they obtained the unanimous support of the other members of the council.

Even so, this plan is probably less favourable to the Arabs than that suggested by the Palestine Government in 1922. According to that scheme the Council was to consist of twelve elected members and eleven officials, including the High Commissioner. Of the elected members, eight were to be Moslems, two Christians, and two Jews. Under that arrangement the Jews would have been even more dependent on official support than they will be if the present suggestions come into force. The most interesting feature of the 1922 plan was the proposal to create an unofficial elected majority. Only a few British colonies have been considered to have reached this stage of development. The 1922 council was to be given legislative power to establish such ordinances as might be necessary for the peace, order, and good government of the country. The High Commissioner retained executive power and the right of veto. Matters relating to immigration were to be entrusted to a standing committee consisting of not less than half of the unofficial members of the council.

The present scheme is more specific in its definition

of necessary safeguards. Mr. Thomas stated in the House of Commons that the council would not be permitted to discuss the mandate, immigration policy, or the affairs of the Jewish Agency. Efforts would also be made to prevent the council from being used as a platform for seditious propaganda. Both Arabs and Jews, however, have expressed their hostility to the present scheme. The dangers that it presents to the Jews are real and menacing. The Arabs, on the other hand, have probably expressed their unwillingness to co-operate in the hope of gaining further concessions. Even if these are not forthcoming they are likely to be prepared to work the scheme.

The main ground for the opposition of the Jews has already been stated. They contend that to hand over control to a community opposed to the mandate would affect adversely the present status of the Jews in Palestine and the prospect of further immigration. In 1921 Sir Herbert Samuel laid down the rule that immigration must be restricted according to the capacity of the country to absorb newcomers. The Jews have often protested that absorptive capacity has been determined by political rather than economic factors. They feel now that the constant discussion of economic conditions in Palestine by an Arab majority on the council will increase the importance of these political factors. Moreover, if discussions on the mandate and immigration policy are to be ruled out, how will the legislators spend their time? Land policy and economic prosperity are inextricably connected with the subject of immigration, and from Dan to Beersheba the mandate and the position arising from it provide the main topic of political dispute. In Kenya a similar ruling was made in order to prevent a council mainly composed of the representatives of the immigrant British population from exercising control over native interests. It was soon discovered that almost every measure could be said to affect native interests directly or indirectly, and that the withdrawal of this subject left little to discuss. The attempt

to keep immigration policy exclusively in the control of the High Commissioner in Palestine would probably encounter the same difficulties. The Jews fear that in order to avoid friction with the council the Government would relax the safeguards and that their most vital interest would therefore become dependent on the whims of an Arab majority.

The Jewish case against the Legislative Council is easily understandable and was effectively put in the House of Commons. Probably by reason of their lack of any organisation in this country, however, little or no attempt has been made to present the point of view of the Arabs. They believe that, had it not been for the Balfour Declaration, they would already have succeeded in gaining self-governing institutions. The Arabs possessed a certain measure of self-government under the Turks, and they naturally supposed that their co-operation with the allies in the war would help them to secure independence. Since the war, however, they have seen their hopes betrayed. Experiments in self-government with varying degrees of responsibility have been made in Iraq, Syria, and Transjordan. They conclude that their own failure to secure similar treatment is due to Jewish immigration, a view that is supported by various statements from the British Government itself. In 1922 the Secretary of State informed an Arab delegation:

> The position is that H.M. Government is bound by a pledge antecedent to the Covenant, and they cannot allow a constitutional position to develop which may make it impracticable for them to carry out a solemn undertaking given by themselves and the Allies.

The Shaw Commission which visited Palestine in 1930 recognised that this feeling was still prevalent and that it was responsible for much of the anti-Jewish propaganda among the Arabs. Their report stated:

> Those who wish for similar developments in Palestine (*i.e.* experiments in self-government such as had taken place in other Arab countries) have grounds for the opinion that were it not for

the obligations cast upon H.M. Government by the policy contained in the Balfour Declaration their hopes and expectations might to some extent have been realised.

The Arabs feel that the Jews have robbed them of independence. When, moreover, they read in certain extremist newspapers that the aim of the Jews is to make Palestine as Jewish as England is English or Canada is Canadian, their suspicions are naturally aroused.

The moderate Arab would probably claim that he is not anti-Jew. Probably he would not be concerned to deny that prosperity in Palestine is largely dependent on Jewish enterprise. He wants to know, however, what effect Jewish immigration is to have in the future and whether his own right to self-government is to be subordinated to Jewish claims. The riots that periodically interrupt the life of Palestine are fundamentally due to the Arab fear that the Jews may overrun the country and to the belief that the policy of the National Home is depriving the Arab of independence. The Palestine Government has probably proposed the institution of a legislative council in the hope that it may remove the most serious of the Arab grievances. The suggestion was made in the House of Commons that Jews and Arabs should be represented equally on the council. Such a proposal may have much to recommend it in theory. It would certainly, however, have been met by a policy of rigid non-co-operation on the part of the Arabs. It would exacerbate their grievances at a time when it is above all necessary that they should be allayed. Mr. Thomas rightly pointed out that, as the Arabs possess a majority of three to one, a system of parity in representation could not possibly be justified. The choice was between a council that gave the Arabs representation according to their numbers and no legislative council at all.

III. A Problem in Imperial Government

IT may be seen, therefore, that both Jew and Arab may make a good case in his defence. The Jew feels that a legislative council may endanger the mandate. The Arab feels that the mandate is depriving him of independence. It remains to discover whether the institution of a council is likely to create a more favourable atmosphere. During the debate in the House of Commons British experience in Cyprus and Ceylon was quoted as an argument against the new proposal. Developments in self-governing institutions in those two colonies have proceeded along precisely opposite lines, but in neither case can the experience be said to have been reassuring. In Cyprus, owing to the existence of a race conflict between the Christian Greek majority and the Moslem Turkish minority, the difficulties were in many respects the same as those that now face the Government in Palestine. The Greeks represent about eighty per cent. of the population, and their demands included responsible government, secession from the Empire and union with Greece. According to the constitution promulgated in 1925, the Greek representation on the council was to be equal to that of the official and Turkish members combined, the Governor retaining the casting vote. The grant of self-governing institutions, however, in no way appeased communal feeling. Serious riots resulted, and in 1931, largely owing to the intransigent demands of the Greeks, the council ceased to exist.

Experience in Ceylon was not much happier. An Order issued in 1923 provided for a large unofficial majority on the reconstituted council. Executive power was retained by the Governor, who was also given the right to pass any Bill of paramount importance. The unofficial majority came gradually to regard itself as a permanent Opposition, and the executive was forced to make considerable concessions in order to avoid an open breach. To end the deadlock the Donoughmore Commission recommended

a large increase of the council's legislative and executive powers, and the demand for Dominion status and the abolition of safeguards became more and more insistent.

These examples reveal clearly enough the kind of difficulties that are likely to arise when representative institutions are granted to a people whose capacity to govern is still open to question. Such institutions are granted in the hope that a closer contact with the machinery of government will foster a sense of responsibility. Safeguards are provided in order that this responsibility may not be abused. Safeguards, however, are necessarily flimsy and insecure. If they are enforced, as happened in Cyprus, constant friction is likely to make the constitution unworkable. If they are relaxed, as happened in Ceylon, the representative body assumes powers that its sponsors never contemplated. Experience in Ceylon in particular substantiates the fears aroused among the Jews in Palestine. The Governor was formally invested with the power of certification and veto. In spite of constant opposition from the council the power of certification was never used, and the Governor himself complained that he could not govern by veto. The only escape from the dilemma was a further step towards responsible government. The dyarchic constitution set up in the provinces of India in 1919 gave rise to a similar experience. On only one occasion did a Governor secure the passage of a Bill by certification, while the power of veto was employed only in two or three instances. Once a council is instituted, both these weapons are used sparingly; a Governor anxious to see the constitution working is willing to permit a considerable relaxation of the law before they are called into force.

This danger is inherent in any system of representative institutions that seeks to give the means of expression to an unofficial majority or a large unofficial minority. Under responsible government the criticism of the Opposition is tempered by the knowledge that the critics may at any time be forced to take over control. If, however,

the constitution does not provide for full responsibility this check on the extremism of the Opposition is lacking. Any system that gives representation without responsibility is likely to prove precarious. Ever since the days of Lord Durham British administrators, in theory if not in practice, have realised that the first step should not be taken until the ground is well prepared for the second. The precept was in fact most clearly stated by the Hilton Young Commission, which visited East Africa in 1927. In Kenya a constitution had been granted similar in many respects to that which is now proposed in Palestine. In spite of safeguards, unofficial opinion was able to obtain a much larger influence in the affairs of government than the constitutional position seemed to allow, and local opinion was even successful in resisting measures that the Secretary of State wished to enforce. The Commission came to the conclusion that, once an unofficial majority is permitted, government will pass from the representative to the responsible stage much faster than the Imperial Government thinks desirable. If the Imperial Government refuses to make this final concession, a situation may arise in which an elected body faces an irremovable executive, able to paralyse the Government's action but lacking the freedom to carry out a consistent policy.

The architects of the projected Palestine constitution may claim that this danger has in fact been avoided owing to their provision for an official majority. It is probable, however, that the distinction between official and unofficial members will be subordinated to the cleavage between Jew and Arab. There will still be a possibility, therefore, that the Arabs in the Council will form themselves into a permanent opposition and use their new privilege with the sole purpose of embarrassing the Government.

This danger, moreover, is likely to be accentuated by the provision for enabling the two communities to vote on separate rolls. Such a system seems likely to ensure that political differences in the council will be confined to

communal channels. In Cyprus the inclusion of such a clause in the constitution served to consolidate the antagonism between the Turks and the Greeks. Politics to the Christian and the Moslem alike meant non-co-operation with each other. It is unnecessary, however, to give further illustrations of this point in view of our recent experience of the communal problem in India. A communal register, once established, is always difficult to abandon. The ideal solution no doubt is to wait until the different communities may divide on political rather than religious lines. The Palestine Government may argue that the adoption of this solution would mean the indefinite postponement of any attempt to introduce self-governing institutions. Such an argument, however, does not dispose of the objections to which a system of communal franchise naturally lays itself open. It must be admitted that the weight of experience is definitely opposed to any premature experiment in self-government. Safeguards may vanish, communal differences may become stabilised, and the Government may soon be faced with the alternative of withdrawing concessions already granted or of launching a system of complete responsible government.

The task of governing Palestine presents difficulties unparalleled elsewhere in the Empire. A small country, it has more political and social problems to the square mile than any like territory in the world. In the Near East we have already had experience of the peculiar qualities of Arab nationalism. In India we have been faced with the classic example of the communal problem. In East Africa we have learnt something of the difficulties of reconciling the claims of an immigrant minority with the rights of the native population. All these complications are assembled in Palestine, and, as a condition of any solution, there has been the knowledge that Great Britain's unique pledge to the Jewish people must not be betrayed. This pledge, however, does not mean that we must disregard the principles that are supposed to guide our policy

in other parts of the Empire. A White Paper on Kenya issued in 1923 contained this statement

> Primarily Kenya is an African territory, and H.M. Government *think it necessary definitely to record* their considered opinion that the interests of the African natives must be paramount, and that if and when those interests and the interests of the immigrant races conflict, the former should prevail.

The Hilton Young Commission, in interpreting this principle in 1929, laid down the methods by which it might be carried out. They stated that uncertainty regarding future land policy was the principal cause of disquiet among the natives, and they therefore recommended that alienation of land to immigrants should be strictly controlled and regulated. Finally, the mandate system in countries similar to Palestine makes the institution of a self-governing body one of the main duties of the mandatory Power.

If Zionist demands were really carried into effect all these principles would have to be abrogated. Native interests would have to be regarded as subordinate, owing to the greater initiative and enterprise of the Jews. Land would have to be alienated from the natives without hindrance, in order that no check might be placed upon immigration. Self-government would have to be postponed until there was no danger of an Arab majority. Such a policy, consistently followed by British administrators in Palestine, would give rise to a political crisis of first-rate magnitude in which the cause of the National Home would be the first to suffer. The policy of reconstituting Palestine as a Home for the Jews must be tempered, therefore, by the principles of trusteeship that Great Britain has assumed elsewhere in the world. In Palestine, of course, the principle of trusteeship may be invoked not only by the native population but also by the immigrant minority. The Jews have good grounds for their fears, and British imperial experience gives ample evidence of the difficulties that any experiment in self-government is certain to encounter in a country of mixed communities. On the other hand,

improvement in the political atmosphere is scarcely possible until Arab nationalism is provided with some means of expression other than that of rioting and demonstration.

The reconciliation of these divergent interests is a task demanding consummate statesmanship. Fortunately, at this critical moment in the history of the Palestine experiment we possess one outstanding asset—the presence in Palestine of a High Commissioner enjoying a unique popularity with Jew and Arab alike. The attitude of politicians in Great Britain towards the new proposals for a legislative council should be governed first and foremost by a determination to strengthen him in his task of seeking to combine the fulfilment of legitimate Jewish ambitions with the exorcision of the fear of subordination that lies at the root of Arab disturbances.

THE NEW NAVAL TREATY

THE London Naval Conference, which opened on December 9, 1935, came to an end on March 25. In spite of grave difficulties, which had been clearly foreseen and which threatened to prove insuperable, the conference succeeded in evolving a new limitation treaty. It is not an ideal treaty, and it is so hedged about with reservations that its efficacy is likely to depend more on the spirit in which it is observed than on the literal interpretation of the text. Nevertheless, the new covenant is a decided achievement, and provided the adhesion of the other important naval Powers can be secured it should impose a valuable check on the competitive expansion of naval armaments during the next six years.

The position at present is that the treaty has been signed by *Great Britain and the Dominions, the United States*, and France. Italy is holding aloof for political reasons not directly connected with the naval question, but it has been semi-officially intimated that she may become a signatory if and when her dispute with the League Powers is adjusted. Japan formally withdrew from the conference on January 15, after the rejection of her proposal for a "common upper limit" of naval strength. She had, therefore, no hand in the drafting of the treaty and shows no inclination to become a party to it. Under a show of intransigence, however, self-interest will probably dispose her to conform to the substance of the new rules, which, in effect, perpetuate the local strategical supremacy that she already possessed. Germany is apparently willing to enter into a bilateral agreement with Great Britain covering the same ground as the new treaty, but stipulates for an Anglo-Russian agreement on identical lines. It is understood that

negotiations with Berlin and Moscow in this connection are well advanced. Nevertheless, the fate of the treaty still remains uncertain. It is intended to come into force on January 1, 1937, and to endure for six years, but the opening date is contingent on timely ratification. Further, it is well understood that if the treaty is to be confined to the original three signatory Powers it is not likely to remain in operation for the specified period. Its utility depends largely on the extent to which the Powers not yet associated with the treaty decide to conform to its provisions.

I. Qualitative Limitation

MONTHS before the conference assembled it was known that the chances of achieving any new measure of quantitative limitation were negligible. This could only be done by retaining the ratio system, to which, however, Japan was inflexibly opposed. The most that could be hoped for was an agreement on qualitative limitation, coupled with a formula for the reciprocal exchange of information about shipbuilding programmes. Very wisely, therefore, the conference directed its main effort towards these secondary objectives, after the first perfunctory, yet necessary, attempt to find an alternative method for the numerical restriction of navies had failed, and after a British proposal that the signatory Powers should each make unilateral and voluntary declaration limiting their naval construction over a period of, say, six years had equally come to nothing.

Apart from Japan's demand for a common upper limit of naval tonnage, the only definitely constructive thesis advanced during the conference was contained in the British proposals for qualitative limitation. The United States, French, and Italian delegations were all backward in making positive suggestions, and it was left largely to the British representatives to press the case for a further reduction of naval armament. The only American proposal

relevant to the broad issue was for an immediate percentage cut in the combatant tonnage of all five navies, and this, being merely a perpetuation of the ratio system in another form, was promptly rejected by Japan, France, and Italy. The British proposals, on the other hand, represented a comprehensive plan for reducing both the cost and the aggressive power of naval weapons without any sacrifice of relative or defensive strength. These proposals had already been laid before the Disarmament Conference in July 1932, and having then proved unacceptable they were now regarded as simply providing a useful basis for further discussion.

Naval experts of every country except the United States consider the existing standards of tonnage to be excessive. Since 1914 the size of capital ships has increased by about 30 per cent., and all other categories have grown in proportion, though no convincing argument of a strategical or tactical nature has ever been advanced in defence of this tendency. Within the same period, building charges have increased out of all proportion, with the result that a modern capital ship costs at least three times as much as its 1914 predecessor, and the price of cruisers is four times greater than it was in those days. Clearly, therefore, the first step towards mitigating the financial burden of naval defence must be a drastic cut in warship dimensions. This has been all along one of the aims of British policy, but its attainment depended, of course, on the unanimous support of other Powers. Unfortunately the attitude of the United States has defeated the attempt. Her naval officers have succeeded in convincing their Government that none but ships of great tonnage are fully effective for American naval purposes. They rest their case on the plausible argument that the dearth of friendly bases in the Pacific makes it essential that every United States warship be endowed with abnormal cruising range and great capacity for carrying war stores, together with the maximum power of resistance to all forms of attack. These qualities, they contend, cannot

be embodied in a ship of moderate dimensions; hence it would be contrary to the national interest to accept standards of tonnage lower than those established by the Washington treaty. This attitude was successfully maintained at the recent conference, even though the American delegation did agree to a temporary modification of the cruiser standard.

In the following table the new limits proposed by the British Government are compared with those actually agreed to at the Conference and incorporated in the resulting treaty :—

	British Proposals.		*Conference Limits.*	
	Max. displacement. *tons.*	Max. gun calibre. *ins.*	Max. displacement. *tons.*	Max. gun calibre. *ins.*
Capital ships	25,000	12	35,000	14
Aircraft carriers	22,000	6·1	23,000	6·1
Cruisers, "A" class (10,000 tons, 8-in. guns)	Abolition	—	Building suspended during the period of the treaty.	
Cruisers, "B" class	7,000	6·1	8,000	6·1
Flotilla leaders	1,850	5·1	Now included in sub-category (*c*) of "light surface vessels," limited to 3,000 tons and 6·1-in. guns.	
Destroyers	1,500	5·1		
Submarines	Abolition, or, failing this, 250	—	2,000	5·1

It will be observed that the standard of 35,000 tons for capital ships remains unaltered, though four out of the five conference Powers wished to reduce it to 27,000 tons—a compromise figure arrived at by Great Britain, Japan, France, and Italy. The success of the tactics of passive resistance adopted by the American delegation is apparent. True, the calibre of capital ship guns has been reduced from 16 in. to 14 in., but this is of purely technical significance. It simply means that the reduction in calibre will

enable the heavy battery of future ships to be increased by three or more guns, or, alternatively, the armour protection to be improved. In short, the capital ship is exempt from the new process of qualitative limitation.

As compared with the original Washington treaty limit of 27,000 tons, future aircraft-carriers are to be 4,000 tons smaller. Here, however, the new treaty merely confirms an accomplished fact; for the largest carrier now building (H.M.S. *Ark Royal*) displaces only 22,000 tons, and similar vessels under construction for other navies are all below 20,000 tons. The giant carrier has, in fact, fallen into disrepute on account of its inordinate cost and extreme vulnerability.

By far the most important item of qualitative limitation in the new treaty is the temporary suspension of building of Class "A" cruisers, a type that owed its genesis to the Washington Conference of 1921–22. There the United States claimed the right to build cruisers equivalent to the British "Hawkins" class, which were ships of 9,800 tons armed with 7·5-in. guns. The new type was therefore standardised at 10,000 tons with 8-in. guns. Outside the United States it has never been popular; for the subordination of protection to speed and gun-power makes these ships dangerously fragile, and at the same time they are very expensive to build and maintain. While it might be ungracious to analyse too closely the motives that have prompted the United States to renounce for six years a type of vessel to which its naval experts are notoriously partial, it is permissible to point out that American naval critics, with one accord, explain that their navy is for the time being amply provided with "A" class cruisers, that the shipyards of the Union are at present occupied with work which will keep them busy for several years to come, and that the treaty only bans the construction of "A" class cruisers for a limited period of years. Be that as it may, the restriction of all new cruisers laid down before the end of 1942 to a displacement of 8,000 tons and an armament

of 6·1-in. guns is particularly welcome to Great Britain, who may have to undertake the building of at least five cruisers a year for the next four or five years.* Had the old cruiser standards remained in force, a certain number of these vessels would necessarily have approximated to 10,000 tons, and their cost would therefore have been proportionately higher.

One important effect of the new treaty is to enlarge the category of "light surface vessels" to include flotilla leaders and destroyers, which had hitherto formed a separate class. As the official memorandum on the Conference explains, this change has been made to meet the wishes of other Powers, none of whom except the United States and Japan has ever accepted a separate leader and destroyer category. It has the advantage of settling the long controversy over the classification of the numerous huge "flotilla leaders" possessed by France, which were rated as "destroyers" in their own country and as "cruisers" by the British Admiralty. Henceforth we, in common with other Powers, will be free to build similar vessels should they be regarded as necessary or desirable.

In respect of the abolition of submarines, or alternatively their restriction to a tonnage incompatible with high-sea cruising, the British case has failed completely. Submarines eight times as large as the limit proposed by Great Britain may be built, and vessels of that size will have a cruising range not inferior to that of a capital ship or cruiser. The facts must be recognised, not only that the submarine weapon is a permanent addition to the armoury of naval warfare, but also that the majority of the Powers are averse from imposing severe technical handicaps on its future development. In view of this overwhelming verdict it may be questioned whether Great Britain would be wise in continuing the campaign for outlawing the submarine, especially as the rules governing the conduct of this class

* See the White Paper on Defence (Cmd. 5107).

of vessel in war-time are now, for the first time, to be universally accepted. In their original form these rules were an appendix to the Washington naval treaty, but not an integral part of it, and associated with them were certain restrictions on the use of poison gas which not all the Powers found themselves able to accept. The same rules were incorporated in the London treaty of 1930, which was ratified by the British Commonwealth, the United States, and Japan, but this treaty was not binding on France or Italy. During the recent London Conference, however, the two latter Powers intimated their desire to adhere to the submarine rules. Accordingly a separate protocol embodying the rules has been drawn up and should in due course be signed by all the principal naval Powers, including, it is hoped, Germany and Russia. Their effect is to bind submarines, in common with other types of warships, to observe the regulations of international law when operating against merchant ships, and to render illegal the "unrestricted" methods that made the submarine so grave a menace to commercial shipping in the Great War. The universal acceptance of the rules in question will be a notable achievement, adding one more to the existing parchment safeguards against the misuse of weapons in warfare.

II. Exchange of Information

PART III of the new treaty, which is entitled "Advance Notification and Exchange of Information," contains provisions that are entirely new, and is justly regarded by the Governments concerned as an international covenant of high significance. The main provision is that the signatory Powers will communicate to each other within the first four months of each calendar year their annual programmes of construction or acquisition of the principal classes of warship, *giving all essential technical details of* each vessel, such as complete dimensions, speed, number, and calibre of guns, torpedo armament, minelaying, and

aircraft equipment. Once these programmes are declared, no increase may be made in the number of vessels included in the declaration for the current year—subject, however, to the operation of various safeguarding clauses—nor can any ship be laid down until after the lapse of four months from the date of declaration.

The safeguarding clauses referred to cover such contingencies as war, naval expansion by a Power outside the treaty, or any other " change of circumstances " that might lead a signatory to suppose its security to be endangered by a strict observance of treaty obligations. Similar clauses were inserted in the earlier naval treaties, though they were never invoked.

It is claimed, and with reason, that the new system of advance notification of construction should go far towards removing the element of secrecy from naval preparations which has been in the past a fruitful source of mistrust and friction. One has only to recall the period 1909–14, when sudden additions to, and reported accelerations of, the German naval programme frequently gave rise to alarm in this country and undoubtedly embittered the relations of the two peoples. A repetition of that state of affairs will be impossible if the new treaty is ratified and eventually secures the adhesion of other important naval Powers not represented at the conference.

There is, however, one conspicuous omission which has a special significance for the members of the British Commonwealth. This concerns the future of those actual and potential naval bases in the Pacific which formed the subject of a special clause in the Washington treaty, forbidding the further development of existing bases and the construction of new fortifications or naval facilities within a defined area. For the British Empire, this area embraced Hongkong and insular possessions in the Pacific Ocean east of the meridian 110 deg. east, except (*a*) those adjacent to the coast of Canada, (*b*) Australia and its territories, and (*c*) New Zealand. The United States waived the right to

proceed with the military development of its projected bases in the Philippines and at Guam, while Japan agreed that her outposts in the Kurile Islands, the Bonins, Amami-Oshima, the Loochoo Islands, Formosa, and the Pescadores should remain *in statu quo*. The effect of this agreement was materially to lessen the chances of armed conflict in the Pacific, by depriving the various fleets of advanced bases and thus making it exceedingly difficult for them to establish physical contact. However, the non-fortification clause, being an integral part of the Washington treaty, will lapse at the end of this year, and so far no action appears to have been taken to devise an alternative safeguard. As the balance of power in the Pacific is a matter of abiding concern to the British Commonwealth as a whole, the future of the insular bases in question would appear to be a proper subject for diplomatic negotiation with Washington and Tokyo, as well as for discussion among the British nations themselves. Fortunately there are no immediate indications that either the United States or Japan intends to avail itself of its impending freedom of action with regard to the creation of new war harbours in the Pacific.

III. Conclusion

ALTHOUGH the failure of the recent naval conference to achieve any form of quantitative limitation is to be deplored on general grounds, it is not without compensating advantages. To this country, faced as it is with the urgent task of restoring its long-neglected defences and providing against new commitments both in northern waters and in the Mediterranean, a treaty that bound us to a fixed limit of naval tonnage might have proved a serious embarrassment. As things are we remain free to build up to actual requirements instead of having our naval power rationed according to a "yardstick" which, as experience has shown, allows of no margin of strength for

those sudden contingencies which are liable to occur while the world remains in its present troubled state.

Throughout the negotiations that resulted in the new treaty, as well as in the actual drafting of that document, the British Commonwealth delegations worked harmoniously together. Mr. Vincent Massey for Canada, Mr. Bruce for Australia, Sir James Parr for New Zealand, and Mr. R. A. Butler, the Under-Secretary of State for India, one and all gave unremitting attention to the work of the conference and were responsible for many of the clauses embodied in the treaty. From the point of view of the Dominions the suspension of quantitative limitation may not be wholly unwelcome. At least it will enable them henceforth to develop their respective naval forces according to their individual requirements, whereas under the expiring treaties each Dominion navy had to be kept within a narrow limit of tonnage in order that the quota for the whole Commonwealth—which for treaty purposes was regarded as a unit—should not be overstepped.

Upon Anglo-American relations the London conference has had the happiest effects. The letters exchanged between Lord Monsell and Mr. Norman Davis, the United States head of delegation, immediately after the signing of the treaty constitute a " gentlemen's agreement " which excludes the possibility of naval competition between the two countries. The principle of parity is maintained, but neither will take offence should a change of circumstances compel the other to bring its naval defences to a higher level of strength than would normally be reached.

As for the remaining Powers, whether signatory or non-signatory, it is a reasonable assumption that the economic factor represented by the enormous cost of modern naval material will automatically check any tendency to initiate a new race in naval armaments.

NATIVE POLICY IN SOUTH AFRICA

From the South African Round Table Group

I. The History of Native Policy

DURING its current session the Union Parliament is debating land, labour and votes, the fundamentals of South African politics. It has already passed a Native Representation Bill that reduces to a skeleton what the Union settlement of 1909 had left of the original Cape native franchise, but on the other hand gives the Bantu in the remaining three provinces some measure of representation for the first time. It now proposes to carry a Natives Land and Trust Bill, which is also a labour Bill. It will thus complete a process begun long since, whereby the right of the Bantu majority to acquire land will be confined to certain portions of the Union, and native squatters (*metayers*) will be either transferred to the reserves or transformed into short-term labourers or labour-tenants.

These two Bills have a long history behind them; in effect the history of South Africa for a full century past. A hundred years ago, numbers of Afrikander frontier farmers trekked away from the Cape Colony to seek the security for their ideas and way of life that they could no longer find in their old homes. In their republics of the Orange Free State and the Transvaal, the franchise was based on the frontier principle of "one armed white man, one vote", and so it remained for the "old burghers" and their sons to the end. Later comers, being white men, could acquire the franchise on varying terms; but non-Europeans could never acquire it because they were not white. As for land

and labour, the general idea was that each burgher was entitled to at least one farm duly stocked with five families of native labourers; while redundant natives were to remain within their own vaguely defined areas and, as a rule, furnish labour when called on. The Free State barred out Asiatics absolutely; the Transvaal made their entry and right to hold land as difficult as the Imperial Government would permit. In neither republic was any distinction worth mentioning drawn between natives and the few coloured mixed-breeds within their borders.

Natal, as a British colony overrun with Bantu, pursued a compromise policy. Considerable though scattered reserves were set aside by the Imperial authority; labour was induced by the poll-tax and, of course, by the new needs and desires bred of western civilisation; and the franchise was framed on a non-racial basis easily accessible to all who came under the ordinary law of Natal. But the Bantu did not come under that law. They remained under a modified form of their own law. Provision was indeed made whereby individuals could, after a probation long enough to ensure that they had shed their tribalism, be exempted from native law and, after a further period, obtain the franchise by grace of their European neighbours and the Government. But very few were granted letters of exemption and hardly any ever received the vote. Similarly, soon after Natal achieved self-government, the franchise was withheld from Indians, save by grace of the Government. The small group of coloured folk in the colony were, however, permitted to acquire the franchise and land like any European.

The policy of the parent Cape Colony was different. After the sweeping reforms of 1828–42 whereby the coloured folk, bond and free, were put upon a footing of legal equality with white men, the colony relied for labour on the same forces as did Natal, and it set no check on the right of any free man to acquire land. Its franchise, instituted in 1852–53, was simple and non-racial.

It is sometimes said, indeed it was said during the debates in Parliament, that there was a good deal of believe about the Cape native franchise, that it had been intended for Bantu and that, as soon as any numbers of them became eligible, the qualifications raised to keep them out. It is perfectly true th: franchise was framed with an eye mainly to Europear coloured folk; for in the 'fifties there were very few within the colony. But the Bantu were not deb Nor were they ever debarred as Bantu, but only a civilised men. This exclusion took place almost er between 1887 and 1894, when the Cape was annexing native territories between the Kei river and the frontier, and recent mineral and agricultural develop were enabling swarms of obviously uncivilised Bar come up to the simple financial qualifications fi: generation back. Lands held on tribal tenure, and ev specially safeguarded individual lots granted to nati terms of Rhodes's Glen Grey Act, were not recognis franchise purposes; the registration laws were tigh against men of all colours and, in 1892, some of the fin qualifications for the franchise were raised and an edu test was added. This last step was taken avowedly tc out the raw " blanket Kaffirs ", but again it was appli men of all colours. To make the meaning of it all clea " Hofmeyr Act " of 1887 relieved enfranchised natives special restrictions that had been imposed on thei tribal brethren.

Further, the very fact that the numbers of the Ban the Cape roll between 1892 and 1935 never rose above 16,000 suggests that the Cape franchise was a ge civilisation test. The Cape politicians realised as c as did Republicans and Natalians that it was no easy to transfer a man from one state of society to another. whereas the Republicans said in effect that it could n done, and the Natalians that it was not going to be they said it could be done. And done it was, well en

for practical purposes, for three generations, so that the more advanced of the unenfranchised Bantu everywhere looked to the Cape franchise as a symbol of hope that they too might one day be recognised as civilised voters in a civilised community.

The course of events that followed the South African war of 1899–1902 was governed by the Treaty of Vereeniging that ended the war and by the report of a South African Native Affairs Commission that was published some three years later. Under the treaty, the ex-Republicans were promised that no non-European franchise would be instituted before they had been granted parliamentary government. Of the report of the Commission, the first to handle the South African native question as one thing, it is sufficient to note that nothing came of it at the time, but that since Union it has served as an armoury for the champions of segregation in all matters relating to land, labour, and the franchise.

Of these three problems the last was at that time the most insistent. Presently the two ex-republics were given self-government with franchises based on white manhood suffrage. Hence, when delegates from the four colonies met a year or so later to make the Union, the Cape men with their liberal policy were hopelessly outweighed by those from the ex-republics and Natal, all the more in that the latter held the whip-hand economically. In the end a compromise was effected. Non-Europeans in the Cape lost the right they had enjoyed thitherto, but never exercised, of sitting in Parliament, and were not even to be counted when seats in the Lower House were allocated from time to time; but they retained the right of sitting in the Cape provincial council, part successor of the Cape Parliament, and retained also the individual vote with the civil liberties that it ensured them, until it should be taken away by a two-thirds majority at the third reading of a measure in the two Houses sitting together.

The lines along which Union policy towards

non-Europeans was to run were made clear during the next three years. A Mines and Works Act empowered the authorities to make regulations that would exclude non-Europeans from many forms of skilled and semi-skilled work in the two ex-republics. In 1912, the nascent Labour party and General Hertzog as leader of the Free Staters gave the first hint of the Nationalist–Labour combination that was to take office twelve years later by demanding, independently, the segregation of the Bantu politically, industrially and territorially in the interests of White South Africa. Lastly, the Natives Land Act of 1913 took away from the natives of Natal, the Free State and the Transvaal the few rights that some of them had of acquiring land outside their existing reserves and the additional areas that were promised them, and provided for the steady elimination of native squatters. The Cape Bantu, however, were virtually exempted from the labour clauses of the Act, and were further relieved of the restrictive land clauses by the Courts, which ruled that they must be free to acquire land as one means of gaining the vote.

No comprehensive native policy was possible during the confusion of the war years; but once the struggle was over two important steps were taken. All parties agreed that the Executive might permit natives in the three northern provinces to acquire land in the additional areas common to the reports of various abortive commissions, while the "Smuts Act" of 1920 set up a permanent commission to advise the Prime Minister on native affairs, provided for the extension of the Cape system of local councils to other parts, and projected periodical conferences of chiefs, headmen and other Bantu notabilities on a Union-wide scale.

Meanwhile, under pressure of war conditions, the Union's secondary industries had developed, and a swift flow of Europeans from the farms to the towns was taking place. Non-European competition in urban employment became a serious matter, and in 1921 an alarmist census report convinced many white South Africans that they were in

danger of being swamped by alien folk. Next year a serious rising took place on the Witwatersrand in defence of the colour bar in industry.

The Rand rising was crushed; but from its ruins rose the Nationalist–Labour Pact, which ousted the Smuts Ministry in the middle of 1924. General Hertzog, the new Prime Minister, promptly set about safeguarding White South Africa. He braved the wrath of many of his northern followers by insisting that the coloured folk must be taken into the white community in every way except socially. On the other hand, he proposed to sever Bantu from non-Bantu society as completely as possible. There were to be two societies within the single State of the Union, each developing on its own lines, always provided the Bantu realised that their relation to civilised men must be based on inequality—inequality especially in the political sphere. Since the other provinces would not hear of the extension of the Cape native franchise thither, and since grave dangers to white society would ensue if they did, that franchise must at least be superseded by a communal franchise.

If the segregation programme that General Hertzog embodied in the four Bills of 1926 is to be seen in its proper perspective, it should be held up against the background of a welcome improvement in administration, which dates from the time of Union, and a code of native legislation, principally of the years 1924–32,* whose general effect has been to limit the freedom of the Bantu in most parts of the Union. The Cape Bantu have been preserved from the full pressure of this code by their possession of the individual franchise or the right to aspire thereto.

The first of the four Bills of 1926 proposed to furnish the additional areas of land that had been promised to the Bantu in 1913. The second would have destroyed the Cape native franchise, and enabled the Bantu everywhere, voting through their chiefs or committees of various kinds, to elect seven Europeans with limited powers to the House of

* See The Round Table, No. 87, June 1932, pp. 658 *et seq.*

Assembly. The third projected a Native Council, partly elected and partly nominated, which under official guidance should pass ordinances binding upon natives. The fourth Bill dealt with coloured persons. Those in the Cape were to retain their franchise, while those in the other provinces who could pass a civilisation test were offered some immediate representation and the hope of the full franchise in seven years' time.

In face of hostile criticism and more pressing preoccupations, General Hertzog entrusted his programme to a select committee. Early in 1929 he introduced the two revised franchise Bills at a joint session of the two Houses. Coloured persons were to fare much as before, though those in the north were now to wait ten years instead of seven for the full franchise. The Bantu were in many respects to fare worse. Those who were already on the Cape roll were to remain there, but others in the Cape who qualified thereafter were to be entered upon a separate roll and, as their numbers increased, were to return two senators and three members with full powers to the Lower House. Bantu in the other three provinces, voting through their chiefs and committees, must be content to elect two senators and, in ten years' time, two more.

The revised Natives Franchise Bill failed to secure the requisite two-thirds majority. The whole programme was therefore withdrawn, and presently General Hertzog appealed to the country, chiefly for a mandate to make South Africa safe for white men. He gained a substantial majority in both Houses, but, for all that, he wisely referred his segregation programme to a joint select committee of both Houses.

The programme remained in the hands of the joint committee for five years. During that period much happened. In 1930 all European women in the Union were given the vote, and, next year, European men in the Cape and Natal were relieved of the financial and educational tests that had hitherto been demanded of them in common

with men of other colours. Thus all hope of fixing a uniform South African franchise on a civilisation basis was destroyed.

Early in 1933 the two great parties, led respectively by Generals Hertzog and Smuts, joined forces. This alliance was cemented at a " coupon " election in May of that year, which left the strength of the parties much as it had been after the "Black Peril" election four years earlier; fusion followed, marred only by the breaking away of the " purified " Nationalists on the one hand and the Dominion party on the other; and in May 1935 the joint select committee reported.

II. The Two Bills

THE Joint Committee had not been called upon to deal with the rights of coloured persons, but it had reduced the three remaining Bills to two, a Lands and Trust Bill and a Natives Representation Bill.* The former followed the main lines of the Bill of 1926. Certain areas were to be "released", and there the Bantu were to be free to acquire land with the assistance of parliamentary loans. Existing reserves and released areas together would thus open to them some 12 per cent. of the area of the Union. Many of these native areas were fertile, much more so than wide tracts of the land reserved for non-Bantu occupation; but they would furnish a broken foundation for a society that was to be called upon to develop along its own lines, and, though details were hard to come by, it soon became clear that many of the released areas were already tolerably full of natives.

The Representation Bill was less liberal than either of its predecessors. In 1926 the mixed-breed grandson of a pure-blooded native had been encouraged to hope that he might be included in the comparatively privileged ranks

* See The Round Table, No. 100, September 1935, pp. 722 *et seq.* for a full discussion of these draft Bills.

of the coloured folk; but now only great-grandsons might cherish that hope. Next, the Cape native franchise was to be swept away. Bantu on the Cape roll were indeed to remain there, but no more were to be added. In future the Bantu in all four provinces, voting through their chiefs and community organisations, where these existed, were to return four Europeans to the Senate and, in seven years' time, six. The Cape Bantu "community" was also to send to the provincial council two members, who might be non-Europeans. Finally, the Bantu "communities" in the four provinces were to elect twelve natives to sit on an Advisory Council alongside of five European officials and four nominated natives under the chairmanship of the Secretary of Native Affairs. This council was to meet annually, to make suggestions to the Union and provincial authorities, and to pronounce upon any legislation that they might project. It would thus mark an advance on the "Smuts Act" councils, which had been pretermitted for years at a time; but it would mark a falling-off from the proposed council of 1926, which was to have had limited powers of legislation. Nor was there to be any compulsion on Parliament or provincial councils to pay heed to its suggestions or protests.

During the latter half of 1935, both Bills were subjected to searching criticism at the hand of various Bantu conferences, the great majority of which had been summoned officially.* Nevertheless, the most authoritative of these assemblies, the All-Africa Native Convention that met at Bloemfontein in December last, accepted the fact that the franchise had been given to all European adults once and for all, and asked only that non-Europeans should be admitted to political privileges on passing a reasonable civilisation test.

Parliament opened on January 24, 1936, with the two Native Bills prominent in the speech from the Throne. Both Bills were avowedly non-party measures, and men

* See THE ROUND TABLE, No. 102, March 1936, pp. 414 *et seq.*

recalled the fact that at the time of the coalition of the two main parties in 1933 liberty of action to Ministers and members alike had been guaranteed in this matter. It soon became doubtful whether the Franchise Bill would secure the necessary two-thirds majority, and certain that one and possibly more than one Minister must vote against it. Opposition outside Parliament also became more vocal. A European–Bantu Conference drawn from all parts met in Cape Town and condemned the measures root and branch. Its continuation committee organised a crowded protest meeting in the City Hall, and Sir James Rose-Innes, one of the sponsors of the Cape Franchise Amendment Act of 1892 and ex-Chief Justice of the Union, not only addressed that meeting, but also made ready to present a petition at the bar of the House.

Presently there was talk of compromise. The origins of this compromise are obscure, but the general course of events is clear enough. The executive of the All-Africa Native Convention interviewed the Prime Minister and found him "adamant"; he would not even consider a tentative and despairing suggestion that he should return to the principle of the 1929 Bill and allow the Cape Bantu three members elected by the individual votes that meant so much to them. The majority of the executive then went home; but the few who remained either approached or were approached by a group of Eastern Province and Border members of Parliament who were genuinely anxious to meet them as far as they could, and also, since they were human, anxious to avert a Cabinet crisis. After further discussion, in which some Cape Town members joined, one or two of the Bantu delegates accepted the 1929 scheme to save something from the wreck, and summoned their colleagues back to Cape Town to discuss the situation. Meanwhile the members of Parliament took unofficial soundings with encouraging results.

The All-Africa executive reassembled and, with the Franchise Bill already before the Houses, interviewed the

Prime Minister once more. This time they were told that, if they would propose a return to the 1929 scheme, the proposal would be considered favourably. After prolonged debate among themselves, they refused to do so. They held themselves bound by the resolutions of their convention, bound therefore to reject for themselves and their children an inferior and restricted citizenship. Responsibility for anything that was done or not done must rest with the wielders of power in South Africa.

Three days later, on February 17, General Hertzog startled Parliament and the country by announcing, with the candour that is his most charming characteristic, that since he had always been anxious to secure the greatest possible measure of consent and now realised that, quite apart from the Bantu, a large and influential section of the European community was resolutely opposed to his Franchise " Bill No. 1 ", he proposed to substitute for it " Bill No. 2 " based upon the principles of 1929. This unexpected " compromise " was condemned by the All-Africa executive and by a widely-signed European petition; but it speedily became clear that it was acceptable to the bulk of European opinion and most assuredly to the overwhelming majority of the two Houses. Mr. Pirow, Minister of Railways and Defence, undoubtedly spoke for many when he exulted that " at last the United party presents a united front on the native question ", and presently noted that the northerners regarded the business as settled for a hundred years to come.

There is no need to follow " Bill No. 2 " through all its stages. It passed the second reading on March 4 by 132 votes to 11, suffered no radical change in committee, and passed the crucial third reading on April 6 by 169 votes to 11.

Briefly, the Bill comes to this. The Cape Bantu are to retain the individual vote; but they are to be transferred at once to a separate roll on which others will be entered as they qualify. Enfranchised Cape Bantu, voting in three

huge territorial constituencies, are to elect three Europeans to the House of Assembly, and two members to the provincial council. But this time the latter are to be Europeans. This change was hailed by General Kemp, " speaking as a Transvaaler " but also as a Minister of the Crown, as a great improvement on " Bill No. 1 ", since white legislators would thereby be spared the " humiliation " of having to sit beside a black one. All " rights, privileges and exemptions conferred by law on registered voters " are specially preserved, but the old freedom to acquire land anywhere in their own province is not preserved to the Cape Bantu; for that right was not secured by definite enactment but only by the ruling of the Courts. Finally, the new position is doubly entrenched. The attenuated Cape franchise can still only be taken away by a two-thirds majority; on the other hand, native representation can only be increased by that almost unattainable means.

The remainder of " Bill No. 1 " stands, with this improvement, that the scattered labourers and squatters on European lands are to be given a voice in the election of members of the Native Council. For the rest, all the representatives of the Bantu, whether European or native, are to be elected every fifth year at a special general election, so that non-Bantu and Bantu need no longer meet when they vote, an " easy association " which in General Hertzog's view points straight to miscegenation.

III. The Contest in Parliament

GENERALS Hertzog and Smuts both recommended the Bill as a compromise that was receiving the well-nigh unanimous approval of Parliament—but with this difference. The Prime Minister regarded it frankly as a second best, while his colleague, who on his record in the joint select committee could never have voted for " Bill No. 1 ", hailed it, " together with the Land Bill which is to

follow it", as a settlement of an immensely difficult problem that he could accept cordially.

True to the line that he has followed from the first, General Hertzog argued that the Bill would go far to ensure the equal treatment of the natives in all four provinces, make an end of the uncertainty that enabled certain white men to advise the natives "contrary to the attitude taken up by the white people as a whole", and relieve White South Africa of all fear of miscegenation and black domination. He has always based his segregation policy, and especially his attack on the Cape native franchise, on the grounds of self-preservation. "The native", he now affirmed, "whatever his rights, has no claim on us to give him anything that is inconsistent with our own existence"; till the Cape franchise had been modified drastically, Europeans could not be "seriously expected to consider the lasting interests of the natives". But once the franchise issue was out of the way and old fears dispelled, Parliament and public would be able to handle native affairs "impartially and objectively"; in short, "to act honourably towards the natives". It should then be Parliament's "first duty" to help them, financially and otherwise, in fullest measure.

Speaker after speaker, including General Smuts and Mr. Pirow, testified to the reality and the warping influence of that fear of ultimate black domination; and many, notably General Hertzog and Mr. Patrick Duncan, Minister of Mines, argued that it was beside the point for defenders of the native franchise to plead that Bantu voters were few and had even decreased in numbers of late years. That might be so; but their numbers would increase fast as education spread, and in fifty or a hundred years' time might tilt the balance fatally against the white vote. Were white defenders of that franchise prepared, they asked, to see it extended throughout the Union on a democratic basis and without tinkering with the qualifications every time the black voters became numerous? It was a hard question.

It followed from the denial of full citizenship to the

Bantu that the Europeans must regard themselves as trustees for native welfare. That responsibility was assumed by many speakers, in spite of the fact that thousands of the trustees, especially those enfranchised in 1930–31, lived in daily dread of the economic competition of their dusky wards.

Side by side with this assumption of trusteeship went a very generally expressed desire to win and retain the goodwill of as many of the Bantu as possible, and a persuasion that the Bill would facilitate that end. General Smuts held that the Cape native would retain "enough of his old position to be satisfied", whereas before the compromise he had risked losing everything; while the Prime Minister maintained that the senatorial representation that was offered to the Bantu as a whole, and the special representation of the Cape Bantu in the Lower House, would give them "far more than they possessed already". At the same time he hastened to assure doubters that the three Europeans elected by the Cape natives could not endanger white supremacy in an Assembly of 153 members.

The two Generals were also sanguine of the future of the Native Advisory Council. The Premier suggested that this would be of more value to the Bantu of the Union than the Cape franchise had ever been, and General Smuts saw in it "an enormous step,—the greatest step in dealing with native affairs that has ever been taken in this country". Tracing its descent from the long-established council system of the Cape Colony (though, to be sure, those councils had formed part of a system that gave a native the right to sit in Parliament itself) he held it up as "a model for native administration for the continent of Africa", looked forward to the day when it should be given the legislative powers over natives that had been proposed, prematurely he considered, in the original Bill of 1926, and, with what was surely a momentary forgetfulness of the functions and history of Parliament, envisaged a far-off day "when we might have a separate white

Parliament and native Parliament". Meanwhile, the council would provide an outlet for educated natives, prevent them from becoming mere agitators, and clear the Union of the charge "that we have given them no chance in this country which is also their country". For the rest, Mr. Pirow prophesied confidently that the compromise Bill would have "a favourable reaction overseas and in the Territories".

Be that as it may, the Bill did not have a uniformly favourable reception at the joint sitting. The "purified" Nationalists, led by Dr. D. F. Malan, complained that the Advisory Council would consolidate the scattered Kaffir tribes into one "native nation", destroy good inter-racial relations, and violate "the supreme principle of the protection of the white man in his capacity as trustee of the native". They advocated further a separate voters' roll and separate representation for the coloured folk, pleading that this would be merely "pressing to a logical application a principle already recognised by our legislation". Wherever statesmanship may reside, logic would seem to be on the side of Dr. Malan, and thus may freedom narrow down from precedent to precedent. Meanwhile, one Bantu leader, looking to the consolidation of his people, has remarked grimly that the present legislation may be a blessing in disguise. The Malanites voted for the Bill as something to go on with.

The Dominion party was hampered by the fact that its leader, Colonel Stallard, had supported "Bill No. 1" as drafted by the joint committee. Nevertheless it put up a dogged resistance, mainly through Mr. Coulter, one of the Cape Town members whose attitude had never been in doubt, on the grounds that the revised Bill, the outcome of a hurried party manœuvre, was being rushed without a mandate or proper time for consideration, and that it was withal so "unjust in every line so far as it affects the existing franchise" that it might well turn the Bantu against the white man's civilisation.

The attenuated Labour party as a whole supported the Bill; but at one stage Mr. Madeley, a Rand veteran and ex-Pact Minister, moved sardonically in favour of out-and-out segregation: the provision of suitable and separate areas for all natives, expert guidance for them in those areas, governance by native councils under general parliamentary control, and payment of a minimum European wage to natives who came out to work in the European areas.

The most telling opposition to the Bill came from Senator F. S. Malan, one of the few survivors of the old Cape Parliament, and Mr. J. H. Hofmeyr, Minister of the Interior. Serious illness prevented the latter from supporting the Senator on the second reading, but on the third he delivered an admirable speech which summed up the arguments against the measure and answered those that had been used in its favour. As a Minister speaking against his colleagues, Mr. Hofmeyr was in a difficult position, even though, as he himself recalled, the Bill was a non-party measure, and the Prime Minister with his rarely failing tact absented himself during his speech. Nevertheless, he went through with it regardless of possible consequences.

Briefly, Senator Malan and Mr. Hofmeyr condemned the Bill for its definition of "Native", which virtually forbade a man with a Bantu ancestor to hope that he might one day be recognised as civilised, and threatened to depress many worthy coloured folk into the native ranks. Both lamented that no proper provision was made for the advanced urbanised native; with the examples of East Africa and other parts of the British Empire before them, both deprecated the communal franchise as the beginning of dangerous group politics, which must make "not for friendship but for hostility". In reply to those who feared that the white vote might be swamped by the black vote sooner or later, Mr. Hofmeyr pleaded that that danger was uncertain and remote; while the Senator replied that the proper safeguard was a sound qualification, preferably for

voters of all colours but at all events for the Bantu, who had already offered to submit themselves to it, and meanwhile "there is the golden rule: Do justice and the rest will take care of itself". Both men were at one in condemning the appeal to self-preservation. "If you preserve self", said the Senator, "by treading on others your policy will never prevail". The Minister ventured to appeal to the highest authority: "whosoever will save his life shall lose it".

The Bill, Mr. Hofmeyr noted, was indeed better than its immediate predecessor but worse than the Bills of 1926 and 1929. There was no justification, he insisted, for introducing the colour bar into the Cape provincial council, virtually preventing any increase in native parliamentary representation, and removing Cape natives from the existing roll, dead against the spirit and probably also against the letter of the Union agreement. Without being wedded to the principle of a common roll, he declared that "no nation, save at the cost of its honour and its ultimate security, can take away without adequate justification a vested right of that kind".

Mr. Hofmeyr further entertained small hopes for the success of the Advisory Council, a weaker body than that envisaged in 1926 and likely to be rendered "futile" by powerful influences that had revealed themselves during the debates. As for segregation, the thing could not be done at this late hour, while trusteeship meant that the trustee should train his wards to stand on their own feet and there was here no sign that the Europeans meant to do anything of the sort. Then, in perhaps the frankest passage of his extraordinarily frank speech, he told how five years' experience as Administrator of the Transvaal, where the natives had never had votes, had taught him how "desperately difficult" it was to get any question of native development considered. It might be, he hoped and believed it was so, that the tide of reaction was on the turn, especially among the young folk at the universities; but

meanwhile he must fight this Bill " because of the forces of reaction behind (it) which, if left unresisted, are inevitably bound to do us greater harm than anything can do us to-day ".

The fervour and appeal to first principles that informed the speeches of Senator Malan and Mr. Hofmeyr have hardly been heard in our Parliament since the late W. P. Schreiner thundered against the Union franchise compromise and the Natives Land Bill of 1913. Even the serried ranks of Tuscany could scarce forbear to cheer. But they voted, and the third reading went through by an overwhelming majority.

It is devoutly to be hoped that Europeans and Bantu will combine to give the new political machinery a fair trial, though it is too much to expect that those who have opposed its creation will agree with one of our leading newspapers that, if anything goes wrong, the blame will be theirs. Meanwhile, as General Smuts reminded the Houses, the Land and Trust Bill remains to be dealt with. The terms on which loans are forthcoming from time to time will determine whether or not the additional areas are really to be made available for the Bantu. Many speakers admitted readily that generosity in this matter will be the surest proof of the sincerity of the appeal to trusteeship. In face of that reminder and the Treasurer's abounding surplus, Parliament can hardly fail to do its duty.

South Africa,
April 1936.

UNEMPLOYMENT: THE WIDER PROBLEM

UNEMPLOYMENT to-day bites deep into the national life of every industrial country, not least—despite the economic improvement of the past four years—into that of Great Britain. Her unemployment cannot be treated as a minor or temporary problem for the British Commonwealth; for the strength of a nation or an empire rests in the last resort upon the lives of its inhabitants, and unemployment stands to-day in the foreground or background of the lives of vast numbers of our people.

The habit of regarding unemployment in the statistical lump is the first obstacle to its wise consideration. In the words of the King, when Prince of Wales,

> We could do something to help in this most baffling and terrible of all our domestic problems, the problem of unemployment, if we could only break it up into little pieces.

But when we have performed this necessary task we must beware of not being able to see the pattern for the pieces; for the pattern of unemployment recurs insistently in the social, economic, and political design of the Commonwealth's life to-day.

I. Long-Term and Short-Term Unemployment

NOTHING is more misleading than the habitual summarising of the unemployment problem in a single global figure. On a certain day of each month the total is cast of all those who are registered on the books of the employment exchanges throughout the country as out of a job. The result is published officially, and this is the figure with which most newspaper readers are familiar. In the years 1923 to 1929 it fluctuated round a

million and a quarter, but with the coming of the world depression the total started to rise until in January 1933 the peak figure of 2,877,000 was reached. After that the total fell again in response to the general improvement in the state of trade until it once more became fairly stable, this time near the two million mark. In spite of the continued high level of unemployment, by last summer the figure for the total number of persons in work was the highest ever recorded for this country up to that time, and this year has shown a still further advance.*

Now, the global figure of two millions for the number of unemployed is far from revealing the whole story. The corresponding figure for the total number of different names that find their way on to the books of the exchanges in the course of twelve months is somewhere about five millions. This means that not much less than one-half of the entire insured population † find themselves out of a job at some time or other during any one year. Over a period of years the fraction of the insured population that experiences no unemployment is quite small. Even in the most prosperous areas and trades and amongst the steadiest and most highly skilled workers the possibility of unemployment is never far round the corner. Several millions of wage-earners live constantly under its shadow. Five million people every year are brought into personal contact with the machinery of the Ministry of Labour, which popular opinion has come to regard in these days as mainly an instrument for the relief of unemployment. The employment exchanges, however, were set up in 1911 with the primary object of finding jobs for men and men for jobs, and they are performing this function to-day to the tune of some two million placings yearly—an enormous

* On April 27 the number of registered unemployed was 1,831,230, and the estimated number of employed persons was 10,712,000.

† The insured population includes the great bulk of workers whose weekly wages amount to £5 or less, and aggregates to-day some 12½ million persons. The two principal industries not included are agriculture (700,000) and private domestic service (1,350,000). Legislation has been passed to bring agriculture into the insurance scheme.

total, representing a vast social and economic benefit to the country. It is, however, still only a bare quarter of the total estimated turnover of jobs. The great majority of those whose names appear at one time or another during the year on the official registers contrive to find work again without any assistance from the official agency. This is a point that should be borne in mind in any interpretation of the unemployment statistics.

The next point of interpretation is that those whose names appear on the live register of the exchanges are not all in the same boat, or anything like it. Of those registered on a given day, about one million—half the total—have normally been out of work for one month or less, and a million and a quarter for three months or less. A man who finds himself out of work for no longer than one month in the twelve is not necessarily put to any severe hardship, having regard to the insurance benefits to which he is entitled in return for premiums paid by him whilst in work, and he should certainly not be in any immediate danger of demoralisation. Most government *departments and some private firms allow their employees* a holiday each year on full pay, apparently with excellent results. It is a pity that the exigencies of competitive business seldom appear to allow of such a concession, although of course it would be a mistake to assume, without inquiring deeply into the economics of costs and earnings, that the generalisation of holidays with pay would go any distance towards solving the problem of unemployment.

At the other end of the scale, by contrast, there are some 300,000 people who have been out of work for a year or more. Their position is about as bad as it could well be, and there are a number of others who are but little better off, since they find themselves with not much more than a month or two of work in the year. A high proportion of these long-term unemployed are older men, and the bulk of them are concentrated in the parts of the

country that are now officially termed the Special Areas—Durham and Tyneside, South Wales, the industrial districts of Scotland, and Cumberland and the North-West coast.

It is obvious that we have here two quite distinct problems. On the one hand there are millions of people—distributed over the whole country and forming over a long period the majority of the insured population—who suffer from insecurity of tenure of employment. In contrast to them there is a far smaller number—some hundreds of thousands at most, and for the greater part concentrated in certain well-defined areas—who for all practical purposes have no job at all.

II. The Special Areas

THE essential facts about the second and grimmer of these problems are simple. In 1923, our main group of exporting industries—coal-mining, cotton, general engineering, iron and steel, shipbuilding and marine engineering, woollen and worsted—were looked to as their source of livelihood by nearly 30 per cent. of the insured population, and close on 2¾ million people were actually employed in them. In 1932 they were employing a million fewer—only 17·5 per cent. of the insured population in employment.

These industries are certainly not dead, but they have in all probability suffered a permanent contraction. Their producing capacity was based on the requirements of markets all over the world that were being opened up to British industry by the fertilising streams of British capital investment overseas. For good or ill we have to recognise that those days are over. In some industries the tide had already set before the end of the last century. In others the inevitable tendency was obscured by the abnormal activity of the heavy industries in the immediate pre-war years, *largely stimulated by armament orders*. We should not again allow this factor, which is once more beginning to operate, to blind our eyes to the true long-term

movement. The tide of economic self-sufficiency is still running strongly and may not turn for many years to come. Long before then the economic structure of the great manufacturing countries will have been moulded in fresh shapes, entirely different from those that fitted into the nineteenth-century structure of British industry.

What has happened to the men who previously looked to these contracting trades for their livelihood and who have now become surplus to their labour requirements? The figures of the whole-time unemployed tell some of the tale. Elsewhere the extent of the tragedy is partly concealed by the device of permanent short-time, with its accompaniment of low weekly earnings, which is no better than a dangerous makeshift. Then, too, there has all along been a steady trickle of men flowing to the more prosperous South, a trickle that under the influence of official encouragement has latterly swollen to a considerable stream. In the course of 1935 about 12,000 workers, including 3,000 juveniles, were assisted in their migration to the South by the machinery of the Ministry of Labour. Some were given intensive six-month courses in a new trade and all were steered into employment. It is estimated that at least as many more found their own way from the Special Areas without the help of any official agency. The fact that these migrants have naturally included a high proportion of younger men and of the more intelligent and resourceful element in the working population has tended to make even more gloomy the situation of those remaining. The plight of the older men who have fallen out of work in these areas is nothing short of a tragedy. The efforts of devoted social workers, and of the Commissioners appointed at the end of 1934 to approve and carry out plans for ameliorating the condition of the population in these Special Areas,* have indeed mitigated the distress, but in the nature of things the remedies that

* See THE ROUND TABLE, No. 97, December 1934, pp. 150–154, and No. 100, September 1935, pp. 801–804.

they have been able to apply have been little more than palliatives. The fact that in these depressing conditions the people have maintained in a high degree their decency and self-respect speaks volumes for the essential soundness of the stock from which they come.

On the face of it there are only two ways of dealing effectively with the situation. The one consists in transferring the population that is surplus to the labour requirements of an area to the places where new industries are springing up. The other is to bring new industries and plant to the place where the surplus labour is. In an old and crowded country like Great Britain the wholesale migration and resettlement of population present almost insuperable difficulties, and even if they were possible would be undesirable for many reasons. London and its suburbs and satellite towns have already expanded too far and too fast, from the social, health, and æsthetic points of view. The heaping up of population in the quarter of these islands nearest to Europe constitutes a grave and growing strategic liability. To construct new houses, roads, schools, and public utilities of all kinds in new areas while those in the old industrial regions are allowed to go derelict is a vast economic waste. A process of infiltration, as we have seen, is steadily going on, but it is doubtful whether it should be more strongly stimulated until the opposite alternative of bringing industry to the people has been exhausted. The present Government favour a policy of attracting new industry to the Special Areas, and the budget speech contained the announcement that assistance would be given to a company to be called the Special Areas Reconstruction Association, which would provide finance for small businesses; but actual progress is slow, as it must be under a system of government by persuasion. The guarantees given to loans for the development of London transport and the main line railways * bore the

* See THE ROUND TABLE, No. 100, September 1935, p. 798, and No. 102, March 1936, p. 368.

condition that the materials should be made as far as possible in the Special Areas, whose needs, we are told, are also to receive particular attention in the Government's rearmament programme. Though this is all to the good, the total effect of these measures is likely to fall far short of the magnitude of the problem.

III. The Acceleration of Industry

NOW let us glance at the other side of the medal. As our old exporting industries have contracted, another group, consisting mainly of lighter industries and services, and having their seat for the most part in the South, has been expanding. This group comprises building, construction and repair of motor vehicles, cycles and aircraft, electrical trades, miscellaneous metal industries, distributive trades, printing, publishing and bookbinding, public works contracting, road transport, silk and artificial silk and miscellaneous services. In 1923 they accounted for 32 per cent. of the insured population and gave work to just over three million people. By 1932 they were employing nearly four-and-a-half million people, covering some 43 per cent. of the insured population in work.

This enormous expansion has been based first and foremost on the increasing requirements of the home market. The imposition of tariffs in 1931 and the ending of the over-valuation of the pound sterling served to accelerate a process that had already begun. There is no doubt that the accompanying demand for capital goods for the building and equipment of factories, the making of roads and a thousand and one other requirements has provided much badly needed work for the heavy industries of the North, without which their present position would be far worse than it actually is.

How far this internal expansion will continue is a matter that is exercising many heads. There is little evidence on which to base an intelligent forecast. But

one thing is certain: the shifting of our industrial centre of gravity from the export to the home market will undoubtedly have very far-reaching economic repercussions. For instance, the need for an exporting industry to be near both to the ports and to sources of heavy raw material—which was the cause of the rapid development in the last century of the present Special Areas—now gives way to the importance of proximity, or at any rate speedy and cheap access, to rich consuming areas like London. Again, the downward pressure upon wages in exporting industries is inevitably intensified by the fact that the exporter is bound to regard them first and last as costs of production; for their relation to the purchasing power of his markets will always be indirect, obscure, and uncertain. But to the manufacturer who has to sell his products at home the maintenance of the standard of living of his own and other people's employees on as high a level as possible is a matter of direct commercial importance. The doctrine of high wages may serve to intensify the boom-slump sequence just as perniciously as the opposite nostrum, but high national earnings achieved through low unemployment carry no such threat of inflation; and to the degree in which industry as a whole finds its market among its own workers, low unemployment becomes one of the first objectives of business men as well as of governments.

This brings us back to the millions who suffer from insecurity of employment. It is worth while examining the position more closely. In the first place, there is no escaping the fact that in every industrial country there have always been, and presumably always will be, innumerable jobs to be done that are necessarily of an intermittent nature or of uncertain duration. Building, docks, the distributive trades, road transport, many food industries, the hotel trade and innumerable commercial and industrial activities are dependent on seasonal and other factors and are unable to guarantee continuity of work to all their employees. The great railway companies and even the

State itself take on extra hands at times of pressure. The effect of the seasonal factor on employment is well brought out by the fact that the unemployment figures normally show a fall of a quarter of a million between January and July in any year.

There is little doubt, too, that there is a tendency on the part of employers of labour in many trades towards cutting down their permanent staffs to a nucleus of key men and taking on additional hands as and when required. The practice obviously has its drawbacks, from the point of view of employers as well as that of the men, but a high labour turnover seems to be a permanent feature of mechanised industries such as, for example, automobile manufacture. Moreover, the depression forced managers to consider their costs very carefully and to overhaul their organisation and improve their machine technique. It is difficult to produce figures, but undoubtedly one of the legacies of recent hard times is a considerable increase in the technical and administrative efficiency of plants and factories, and side by side with this has gone a corresponding increase in the casualisation of labour. This tendency has been reinforced, too, by the shortage of really skilled men in many industries. Apprenticeship to skilled trades has been falling off since the war and more particularly during the depression, and many formerly expert workers have lost their skill through protracted unemployment.

A good example of the way in which all these tendencies operate together is furnished by the steel industry. In the year 1935 British exports of iron, steel and manufactures thereof were a little less than half their total in 1913—only 2,372 against 4,969 thousand tons. Here is the picture of a great exporting industry hard hit by the prevailing tendency towards national self-sufficiency. Yet in the same year our total production of steel ingots and castings was greater than it had ever been—9,842 thousand tons against 7,660 thousand in 1913. Here we see the effect of the demand for capital goods resulting from the

expansion of the home market. But when we turn to the unemployment figures we find that no less than 21·8 per cent. of the workers attached to the industry were shown as unemployed. Unfortunately we have no corresponding figure for 1913, but it would certainly have been considerably lower; the average percentage of unemployment recorded in that year by the trade unions in the engineering, shipbuilding, and metal trades was only 2·2 per cent. A high proportion of the steel workers who found themselves unemployed in 1935 were undoubtedly older men who had lost their skill through being out of work for a long period; for we know that some sections of the industry experienced the greatest difficulty in obtaining the services of sufficient skilled labour.

On the other hand, as we have seen, the total number of people in work shows no sign of diminishing. We have even succeeded in absorbing in employment the whole of the increase in national population since the war and a considerable number of men from the Special Areas as well. In some industrial regions in the Midlands and the South there is now no "crisis unemployment", in the sense that any man of normal skill and fitness can without difficulty find a job suited to his capacities. One cannot escape the conclusion that where improvements in machinery turn one man out of a job they make work for another elsewhere, though with a certain necessary time lag, provided the general monetary and economic system continues to function more or less smoothly.

What is really happening is that the whole tempo of life is being accelerated. We have to make up our minds to the fact that the old ideal of "a place for everybody and everybody in his place", of regular jobs for all, year in and year out, is no longer realisable. It is a legacy inherited from a more leisurely age of small-scale agriculture and handicrafts; even so it is doubtful if it was ever much more than a pious aspiration. Whatever may have been true in the past, we have to-day to accept the fact

that a considerable turnover of jobs, even among skilled and semi-skilled workers, and something like a pool of labour containing the greater part of the unskilled, appear to be inseparable adjuncts of our highly mechanised and rapidly changing industrial civilisation. The change is not necessarily an unfortunate one, provided it is recognised and understood and appropriate social and economic adjustments made to meet it.

Side by side with this tendency towards casualisation and a high labour turnover there has gone another trend towards shorter hours of work. Indeed, there is much to be said for the view that both are manifestations of the same tendency, caused by the advance of the machine. The first of these manifestations takes the form of unemployment or, at best, insecurity of employment, and is regarded, with every justification, as a curse. The second is generally recognised as a blessing. It has already gone some way towards revolutionising our whole way of living, and it is this more than any other factor that we have to thank for the rise of the lighter industries in the South, which has done so much to counteract the contraction of the old exporting industries.

It certainly must not be assumed that a frontal attack on unemployment by a general reduction of hours of work is either capable of success or in itself desirable at this stage. It is extremely unlikely, too, that if the choice were put to them to-day, the mass of workers would set shorter hours before higher real wages as the immediate objective of economic progress. Nor is this surprising when one considers that many quite elementary wants of food, clothing, and house-room still go unsatisfied among sections of the population who do not suffer from excessive working hours. Admittedly the problem will not be solved in a day. Its solution is bound up with a dozen factors, not the least difficult of which is the question of education in the broadest sense of the term. But it is, perhaps, not too much to hope that the means may

ultimately be found of turning to good account also the longer periods of enforced leisure that modern conditions tend to impose on the worker between one job and the next.

IV. Conclusion

IN any attack on unemployment it is fundamentally necessary to realise that economically Great Britain is a changed country. The period from the war to 1928–29 may be regarded as a time of transition, of gestation, and the experiences of the depression as the birth-pangs of the new economy. To-day our industry is far more diversified, far more dependent on the home market and less on sales abroad. At the same time, the possibilities of foreign lending have been greatly curtailed, both by the comparative shortage of new capital seeking long-term investment and by the scarcity of credit-worthy borrowers. The pound sterling is off the gold standard, and, though it may be brought back into an international system before many years are out, this return will certainly be conditional on the new system's being far more " managed " than the former gold standard, and allowing a far greater flexibility of internal monetary policy. Here also the post-war decade, which may be summed up as the period of the gold exchange standard, was an interval of transition. The problems of to-morrow will be very different from those of the day before yesterday.

Again, the population of Great Britain, which was still increasing at a substantial rate before the war, is now about to reach the turning point. The statisticians tell us that deaths will shortly equal births, then outnumber them, and the total population commence to decline. This demographic phenomenon is going to have a profound effect on the economic life of the nation, the inner determinant of which is clearly the nature of economic demand. The market for staple necessities, and especially for house-room, cannot be expected to go on increasing indefinitely

with a falling population figure. Thanks to mechanisation, the fall in the total number of workers need not be accompanied by a corresponding drop in the aggregate national income. On the contrary, we may not unreasonably look forward to a progressive increase in the average standard of living. The improvement in the average income will reinforce the tendency towards diversification of demand and consequently of industry, and towards the growth of transport and other services, all based first and foremost on the home market.

Partly as a result of the slowing up of the growth of the population of these islands, partly for more distant reasons, there has been a further change in the British economy, having an even more obvious connection with the unemployment problem—the falling-off of emigration. In the past five years the inflow of permanent migrants has actually exceeded the outflow. While this may be regarded as a transitory symptom of the general depression, it would clearly be unwise to count on a revival of emigration on anything like the scale of 120,000 a year net—the average of the first post-war decade. Whether it would be the part of wisdom to stimulate the flow of migration to the oversea parts of the Empire is a profoundly complicated question, which must be approached from the angle of how best to stimulate and strengthen the economic and social life of the Empire as a whole, having regard to the changing structure of the British economy and population and to comparable factors affecting the Dominions. The policy that we adopt in common for this broad purpose may or may not involve a large-scale transference of population. In coming to a decision we must not, of course, lose sight of the political and strategic implications of any policy affecting industry, sea-borne trade and emigration; nor of the social—and also, to some extent, the strategic—importance of maintaining a balanced economy in each of the countries of the Commonwealth. Measures taken for the defence of British agriculture assume a far greater

importance in this connection than when considered as factors directly affecting unemployment. Indeed, neither the expansion of agriculture at home, nor emigration for agricultural settlement to the Dominions, can ever be regarded as of more than purely marginal significance as a direct contribution to solving the unemployment problem.

Seen in this light, that problem appears first and foremost as an element in the strength and stability of the whole community of British nations. We live in dangerous times, and great strains may be imposed on the nations of the Commonwealth. We shall be gravely handicapped if, when the strain comes, we have still in our midst, both here and in the Dominions—where unemployment has been on the whole no less severe than at home—a deadweight of demoralisation and disheartenment, the product of long-term unemployment. We shall find ourselves equally at a disadvantage if our economic and social structure has not been organised to cope with the greater individual insecurity inseparable from mechanisation. There is no single or straightforward solution to this infinitely complex problem—we must indeed break it up into little pieces. But having done so, and having chosen our remedies in the light of that dissection, we must next reassemble the pieces to make a new and better picture of our whole national and imperial life.

INDIA: A NEW ERA OPENS

I. Hail and Farewell

April 1936, when India bade farewell to Lord Willingdon and welcome to Lord Linlithgow, possibly marked the end of a lull in her affairs. It may sound odd to describe in those terms a period that saw such incidents as the latter Round Table Conferences, the White Paper, the Joint Parliamentary Committee and the Ottawa debates, but all these, even the last, were essentially matters of outside origin. So far as the internal history of India is concerned, "lull" is not inexact. Lord Willingdon's arrival coincided with the dying-down of a serious movement directed against constituted government, and his lustrum has seen comparative calm established and maintained while the country, as it were, took breath. There are indications that the next five years will be marked by much more internal activity. The setting-up of the new provincial governments is in itself bound to quicken the political tempo.

Looking back over Lord Willingdon's five years, one might perhaps describe as their chief feature the insistent emergence of India's position in the Empire as a cardinal question of statesmanship, as yet undetermined. To persons engaged in the ordinary battle of life these questions of status may seem unreal or exaggerated, but when a national consciousness is developing they bulk very large, and a failure to appreciate their extent and importance is a profound error of ultimate as well as immediate policy. It is their subjective aspect that gives them their importance as an Empire problem. Pragmatists, growing impatient at the declamation and heat aroused by the experiences of a few obscure individuals, fail to see that it is not the

individuals themselves, but the passions their position rouses in the sharpened sensitiveness of their political fellow-countrymen, that make the world problem. The position is well summed up by a writer in the *Madras Mail*, who describes the problem of national status and treatment as a " canker which affects every issue, however remote and apparently self-contained it may seem, in which Indian participation enters; it touches nothing it does not deform".

II. Two New Provinces

THE first definite indication of the emergence of the new India was the coming into existence on April 1 of the new provinces of Sind and Orissa on the western and eastern corners of the long seaboard. Both are maritime provinces, but whereas Orissa has nothing worthy of being called even a minor port its twin province possesses in Karachi one of the chief ports of the whole sub-continent and easily its most important air haven, both from a strategic and from a commercial point of view. They differ in many other ways too. Sind, although predominantly Moslem, has a strong, wealthy and active Hindu minority; its population, while distinguishable enough, is not predominantly of a single ethnic type. Orissa, on the other hand, is the most homogeneous racial unit in India. Well over 90 per cent. of its population are Hindus and a similar percentage is of the distinctive Oriya type. Orissa at least should know no communal problem.

In some ways Orissa offers the best example of a type of problem that is growing in importance in India, namely, the effects of denudation; for there is little doubt that the recurrent and disastrous floods that afflict the country—and incidentally affect seriously its general health—have their prime cause in the stripping of the slopes that bound it on the west and through which its rivers make their way.

Sind's problem is different and is primarily one of administration. Will it run the huge barrage scheme effici-

ently? Will a province where landowners are so strong resist the temptation to pare land revenue rates and so reduce or remove the yield the barrage ought to give? The Government of India has a strong interest in this, as the new Act shows, and will watch the infant province with some anxiety.

III. Pandit Nehru's Challenge

ON April 12 Pandit Jawaharlal Nehru delivered his presidential speech to the open session of the Lucknow Congress. The speech was worthy of the occasion and was perhaps the most sincere utterance that has fallen from the successive presidents of the Congress for a considerable number of years. It is singularly and refreshingly free from claptrap of any kind, and there springs to the lips almost unconsciously the old tag *O si sic omnes*. One doubts whether the presidency of the Congress is congenial to the Pandit; it is easy enough to trace a certain resentment at the difficulties, if not the falseness, of his own position, that of a single-minded, passionate, idealist doctrinaire who finds himself at the head of a great body of average men, not to mention a wide variety of doubters, trimmers, and self-seekers, to whose political pace he has to accommodate his own. The Pandit has at times a lapidary gift of phrase. Thus he distinguishes nationalism in the East from the " new and terribly narrow nationalism of fascist countries; the former is the historical urge to freedom, the latter the last refuge of reaction ". There is some truth in the distinction, though it seems too simple a view to describe Mussolini's Italy as the last refuge of reaction. The changes in Italy and Germany seem to bear much more the stamp of a future development to which all the world is tending—mass man. It may be that in these countries, as in Russia, we have seen a step towards the anthill of the future, in which the mass of individual units will be scarcely more than automata,

directed by a few intelligences or impulses of which they are hardly even aware.

The real text of the Pandit's discourse is "independence first"; how to join together in a struggle for independence all the anti-imperialist forces in the country. For that end, he is prepared to accept Congress for some time to come, with all its diversities of composing units, its temporisings and hesitations, so painful to his impetuous spirit. He accepts it because with all its shortcomings it is the only continuing expression of the urge to independence, and if it weakens the result may be mere provincial and communal jealousies and the diversion of the national aim.

His heart is in socialism, of which he made a public and categorical confession in his speech. He is convinced that the only key to the solution of the world's and India's problems lies in socialism, a term that he uses "not in a vague humanitarian way but in the scientific, economic sense". He does not, however, define this scientific, economic sense, and when he describes socialism as a philosophy of life one suspects that its appeal in this guise is for him not secondary but primary. To one who, like the Pandit, has to some extent the vision of a poet, it is socialism as a philosophy that will appeal. If the world is full of hope, he says it is largely because of the example of Soviet Russia. He sees no way of ending the poverty, unemployment, degradation, and subjection of the Indian people except through socialism, which he admits must involve "vast and revolutionary changes" and incidentally "the ending of private property". One wonders how some of his hearers relished those phrases. He believes in the rapid industrialisation of the country and not, one imagines, at all in the *khadi* * movement, which he looks upon as a "temporary expedient of a transition stage".

The Pandit's mind is logical, too logical for a man in the position in which he has been placed, but he has one clear view that one wishes he could impart to others,

* homespun.

and not only to Indians: "the only right way of looking at our own problems is to see them in their proper place in a world setting". It is one of the defects of nationalism, even the Indian nationalism which the Pandit differentiated from that of the West, that it seems to inhibit precisely such a synoptic view.

The Pandit condemned the Government of India Act as a "new charter of slavery", and in one of his purple patches declared: "if they had offered the crown of heaven with this accompaniment and with this dishonour, would we not have spurned it"? A charter of slavery, he said, is no law for the slave—a pungent phrase that might be taken as a pointer to the Pandit's thought and purpose. He will not regard the Act as binding; it is to be evaded or defeated in every way. He recognises, however, that "we have no choice but to contest elections to the provincial legislatures", though he tries rather ineffectively to qualify this by saying "in the event of their taking place". Election should be sought on the basis of a detailed political and economic programme "with a demand for a Constituent Assembly in the forefront". This is an interesting revival of a project that had been practically dropped overboard by the Congress leaders. "Independence," he says, "cannot be given". Therefore logically the Constituent Assembly "will not come through the new Act or in the legislatures"; what he has in view is that a period of great change or stress may shake India to such an extent that an Assembly can be brought together, frame a constitution and present a demand to the British Government. He realises that such an Assembly requires previous preparation and organisation.

The Pandit's intransigent attitude reappears again and again in such phrases as

> the only right and safe way is to stand four-square on our own programme and to compromise with no one who has opposed the national struggle for freedom in the past, or who is in any way giving support to British imperialism.

The latter, he says, is in no way different from the Italian imperialism that is bombing and killing harmless Ethiopians or from Japanese or other imperialisms. Behind them all, he says, returning to his favourite socialistic theme, is " a decaying economic order ".

The Pandit accepts the councils but rejects with detestation any question of accepting office. " To accept office and ministry under the conditions of the Act is to negative our rejection of it." This as a statement in logic is correct. As a statement of political advisability or practice it is very different, and one seems to see in the Pandit the characteristic inability of the doctrinaire to understand the working of the empirical mind.

> It is always dangerous to assume responsibility without power; it will be far worse with this constitution, hedged in with safeguards and reserved powers and mortgaged funds.

Office, he says, will not add to the Congress's real strength but will only weaken it by making it responsible for many things it dislikes. All this is true, assuming, as the Pandit does, that the Congress remains unchanged. The indications are that this assumption will be falsified.

> Imperialism (the Pandit says) sometimes talks of co-operation but the kind of co-operation it wants is usually known as surrender, and the Ministers who accept office will have to do so at the price of surrender of much that they might have stood for in public.

To his sincere and by now definitely ascetic spirit the prospect of a scurry for spoils and patronage is repellent, and he comments with some pungency on the argument that Congress's chances at the elections would increase if they declared themselves prepared to accept office. He condemns outright the suggestion, which has found favour in several quarters, notably in South India, that the question of accepting office should be left to provincial decision. This " astonishing and fatal suggestion ", he says, " plays into the hands of our imperialist rulers ".

> First issues will sink into the background, independence itself will fade away and the narrowest provincialism raise its ugly head. Our policy must be uniform for the whole of India and it must place first things first, and independence is the first thing of all.

He is convinced that the acceptance of office or even to hesitate and waver about it would be a fatal error. "It will be a pit from which it would be difficult to come out."

The Congress organisation he regarded as antiquated and too authoritarian. There must be a definite move to "develop democracy in the lowest rungs of the Congress ladder and make the primary committee a living organisation of criticism and discussion instead of a mere voting machine". Russia is never far from the Pandit's thought, and if India is his first love Russia is his second. More than once he returns to the necessity for increasing the interest and day-to-day activity of the lower committees in the Congress hierarchy, and he specifically advocates the formation of peasants' unions as well as workers' unions—a recommendation that must have shocked many of his hearers. He found that the Congress, having lost touch with the masses, was "deprived of the life energy" that contact with them gives. A middle-class leadership is often distracted leadership, looking in two directions at the same time. "The Congress must be not only for the masses, as it claims to be, but of the masses."

Another forthright opinion that must have given many a jolt was that the communal question is "after all a side issue". He cannot see the Decision being shaken by the methods adopted by its aggressive opponents, which in his view merely perpetuate it. The real solution will only come when "economic issues, affecting all religious groups and cutting across communal boundaries, arise".

The Pandit indulged in a vivid gibe at the hot-air merchants when he referred to the talk "of a militant programme and militant action." "I do not know what exactly is meant. . . . If direct action on a national scale or civil

disobedience is meant, then I see no near prospect of them". "Let us not indulge in tall talk before we are ready for big action". Satire was hardly even veiled when he referred to certain talk of a joint front, which so far as he could gather referred to some alliance among the upper classes, "probably at the expense of the masses".

The main *motif* of the Pandit's speech might be paraphrased thus. Wars either have begun or are coming from which Great Britain will find it difficult, if not impossible, to escape. Once she is involved deeply, India will have her opportunity. A modern war must embrace all the Western nations and cannot be fought in detachment, but in order to seize her opportunity India must be ready and gird up her loins now.

> The time may come, and that sooner perhaps than we expect, when we might be put to the test. Let us get ready for that test. Every war waged by imperialist Powers will be an imperialist war whatever the excuses put forward; therefore we must keep out of it.

The rôle cast by the Pandit for India in a contest in which Great Britain is involved is that of the *tertius gaudens*.

The impression left by the Pandit's speech on the *Statesman* is that "this is not an Indian speaking. In no sense whatever are these the words of an Indian". Here the antinomy is being pushed too far. The Pandit is indeed a product of English education, showing in his use of the English language and in many other aspects the impression it has made on him, but the *Statesman's* phrase is an excessive simplification. Doctrinaires are much the same the whole world over, and one set of tram rails is very like another, although the trams may be of different pattern; but it is precisely the touch of the universal and of detachment in the Pandit's intellectual make-up that constitutes his main attraction, and at the same time explains the hesitation with which the average Congress politician is apt to regard him. It is the distrust shown

all the world over by "*l'homme moyen sensuel*" for the sincere, passionate, self-denying enthusiast. In surveying the Pandit's character and position one cannot but admire and pity him; admire his qualities intellectual and spiritual, and pity him for the rôle in which he has been cast—to apply methods he dislikes, with associates who misunderstand, for purposes not fully shared. The gulf that separates him from many of his associates has already shown itself in the hostile comments of much of the Congress and nationalist press. His disillusionment will not be long in coming—it may already have begun.

IV. The Assembly, the Budget, and Ottawa

ANOTHER budget season has disclosed only two provincial surpluses, in Bombay and Madras. The former is a very small affair. Bombay's return to a plus balance reflects the separation of Sind as a province. Bihar, however, is too far in deficit for the scission of Orissa to have a similar effect. Madras, as always, keeps its head further above water. This reflects an old tradition of carefulness, not to say parsimony, in administration, a more frugal peasantry and a smaller proportion of permanently limited land revenue.

The central budget was one bright spot, but members of the Assembly found many a stain upon it. Particular criticism was devoted to the Finance Member's insistence on meeting Quetta repair expenditure from revenue instead of capital. It was odd that this solicitude for the future revenues of India, in view of the impending arrival of provincial autonomy, the separation of Burma, and so on, should have come in for such attack, and in perusing the Assembly speeches one has at times an impression of unreality, of a theoretical argument as distinct from concern with a grave and urgent practical problem. This is one of the curious features of political life in India that show how youthful the legislative bodies really are. The

hardy annuals, such as the reduction of the salt tax, came up again, and an old friend reappeared in the proposal for a half-anna postcard. For this there is a good deal to say, but the revenue aspect was paramount.

It is unfortunate that a budget which is generally admitted to have been skilfully drawn up and ably presented should have had to find its way into law by certification. It is unlikely that any Finance Bill hereafter will pass except by this intervention. If the intention is that the Assembly should develop at least an interest and a feeling for the budget, then it is desirable that it should be passed as their measure. For the whole expenditure plan to go through on a single individual's fiat, even though he be the Governor General, means an unfortunate accentuation of the divorce of criticism from responsibility, which in one way or another has infected the political experiment in India for the last 16 years.

The chief incident of the Assembly session was the debate on the Ottawa agreements and the vote in favour of terminating them. There was a good deal of criticism of these agreements at the time they were made, not only in India; on grounds both of content and of method suspicions were freely expressed that some at least of the agreements or portions of them were the result of what were in effect threats. No agreement outside Utopia ever gave complete satisfaction, and every agreement is a compromise in which each party accepts some less advantageous points for the sake of those to which it attaches importance or from which it looks to benefit. The Indo-British Ottawa agreements are no exception, and in the United Kingdom as well as in India the need for revision has been freely mooted.

It must be said, however, that in the Indian debates one strong and compelling ground for opposition was the famous one attributed to the Puritans; not so much because the thing was bad in itself as because it was suspected to give pleasure to the other party. It is a saddening reflection,

but these psychological difficulties are the big realities of Indian politics to-day. It is possible, however, to treat the position too seriously, though the sooner India gets down to the hard facts of the economic position the better. One element in the suspicion that found expression in the Assembly's voting was the belief that the original Indian delegation to Ottawa was not representative. It is quite possible that Indian representatives elected by the Assemblies or by different Chambers of Commerce might have found themselves persuaded at Ottawa to accept agreements much the same as those so bitterly opposed and now condemned, but there would have been this difference, that the agreements would have been much less readily disowned.

V. Moslem Moves

MUCH interest was aroused by the Aga Khan's visit to Delhi in February and the meetings he held with prominent Moslem leaders. One object was admittedly to seek some *modus vivendi* with other communities, in view of the approach of the new constitution. The Aga Khan's endeavours to further the formation of parties that will pursue objects of genuine interest to the country as a whole and not be tied strictly to communal leading strings has received as good a welcome as could be expected in the suspicious atmosphere of to-day: in fact rather better. It is to the credit of the Moslem leaders that they see the advisability of at least trying to get away from communal lines of cleavage in general politics.

The Hindu press showed its intransigence and suspicion towards these moves. The Punjab *Tribune* twitted the Aga Khan with his refusal, along with his fellow Moslems, to consider the question of central autonomy until Moslem interests were safeguarded. It added that as long as the attitude taken by the Moslems remains unchanged the divorce of religion from politics is pure bunkum. The *Tribune* went on to demand that the Moslems must definitely

and unequivocally abjure their faith in separate electorates and in communal representation in the services. This intransigence is characteristic, but the press in this country is always more intransigent than the leaders; there are distinct indications that the better elements of the Hindu community are as much tired of the communal conflict as the Moslems, and would be prepared to make concessions if joint electorates could be introduced. Among the proposals to this end is one for a differential franchise, a lower level for the Moslems bringing up their voting numbers.

A good deal of this is, however, as yet only talking in the air. The Moslems' main contention is that they should be guaranteed the faculty of electing Moslems they want, whereas if they were thrown into joint electorates the chances are that they would get the Moslems the Hindus want, and so long as this suspicion continues their attitude will not weaken. The younger ranks of Moslems are, however, rather less rigid on this count than their seniors, and time, along with the practical experience of working provincial autonomy, will almost certainly modify the present rigidities. Life is a bigger thing than communal *zids*, and even a generation will probably see changes towards the accommodation and development of party politics, on lines regardless of communal differences, that would shock the communal champions of to-day.

India,
April 1936.

IRISH POLICIES AND PROBLEMS

I. The New Trade Pact

THE protracted negotiations * between officials representing the United Kingdom and Free State Governments bore fruit on February 8, when it was announced that a fresh coal-cattle pact had been entered into for the coming year. It will be remembered that last year's pact † was on a pound for pound basis, whereby in return for a monopoly of the coal market in the Free State the British Government agreed to allow the importation of a certain number of our cattle. The fixed duties on both sides were, however, retained. The new agreement modifies this anomaly. On the British side the fixed duties on all classes of Free State cattle are reduced by proportions varying from 20 to 35 per cent., and those on horses, sheep, and lambs are halved. It is believed, however, that they will still produce at least £4,000,000, the amount of the retained annuities. The new arrangement also provides for an increase in the quotas of Free State fat cattle and bacon exported to England. On the other hand, the value of these concessions to our farmers is considerably reduced by the simultaneous withdrawal of the export bounties paid to them by the Free State Government. On cattle there was a flat rate bounty of £1 per head, and on horses a bounty of 40 per cent. *ad valorem*. The Free State Government on its side has reduced by half the emergency duties on British cement, iron and steel goods, electrical apparatus, and certain classes of sugar, which were imposed as a retaliatory measure, and in addition to granting the coal monopoly has agreed to

* See The Round Table, No. 102, March 1936, pp. 356 *et seq.*

† See The Round Table, No. 98, March 1935, p. 369.

one-third of our cement imports from Great Britain. e withdrawal of the bounties on cattle and horses the State Exchequer will save approximately £400,000, 1 will practically solve the problem presented to the ter for Finance by the recent removal of the tax on h coal, which produced about £500,000 a year.

the Irish side the real gain is that we slightly improve resent inferior position in the only market for our iltural produce that is of any importance, and cattle ; have accordingly increased. Last year's pact un-edly arrested a further drop in our cattle exports, he new arrangement, coupled with the increasing erity of Great Britain, is bound to have a good effect ir agricultural export trade. On the whole it may be hat the permanent officials, on both sides of the Irish iave again stepped in where the politicians feared to and, as far as they have been allowed, have once brought us face to face with realities. They have d the solvent of common sense to a situation which l seriously harmful to both countries, and which, if it iues indefinitely, will certainly lower the whole ird of our rural life and vitally react on our industry ommerce. There is considerable truth in the com-of Mr. Cosgrave that the retained land annuities are being sent over to Great Britain on the horns of our , and that the new arrangement may well be called 1 "to make further and better provision for the pay-of the annuities and to remove doubts as to the gness of our Government to facilitate the British in collection". We have in fact had to modify our and concede a valuable and substantial monopoly der to retain for our agricultural produce a partial into the British market which, during Mr. Cosgrave's iistration, we enjoyed without any restriction whatever, rithout any reciprocal concession.

February 26 the Government introduced a Bill in ail to validate the reduction of the emergency duties.

Mr. MacEntee, the Minister for Finance, introducing the measure, claimed that whilst in each case the respective Exchequers would lose by the reduction of the import duties, it was obvious that the producers in both countries would gain, and gain considerably, by reason of the extended market that was offered to them. The Free State Government, on their side, felt that the new agreement, in conjunction with other measures that the Government had taken, or had in view, would solve the problem of our surplus cattle, and would relieve considerably the position in regard to other agricultural products. It would lead to a significant increase in the volume of trade between the two countries. He estimated that it would cost the British Exchequer about £800,000 and ours about £200,000. It was an expression, he added, of the mutual desire for goodwill and friendly relations in matters of trade, and in that aspect he was sure it would be welcomed.

Mr. Cosgrave, on behalf of the Opposition, moved that the Bill be rejected until the Government gave an assurance that they would take immediate steps to negotiate a comprehensive settlement of the matters at issue with Great Britain. The question, he said, was not whether this pact should be accepted, but rather whether a much better pact should not be negotiated. He claimed that the pact was an admission on the part of the Government that they could not do without British trade. The slaughter of 660,000 calves had cost the country £200,000. A favourable settlement of the dispute with Great Britain was not only possible but almost mandatory on both parties. Professor J. M. O'Sullivan, T.D., speaking during the debate, said that the pact was a clear indication how essential the British market was to the prosperity of the Free State. Increased tillage, if it was to succeed, meant the rotation of crops and therefore an increase in the number of cattle. The Government, he claimed, were a Government of half measures at all times; they were half in the Commonwealth and half out of it. They were half republicans and half

Free-Staters. But this pact was not even a half measure; it only revealed the strategic weakness of the Government's position.

Mr. Frank MacDermot, T.D., speaking as an Independent member representing a rural constituency, referred to the sufferings of the countryside and said that the bounties should have been retained even if it necessitated the maintenance of the coal tax. He thought the Opposition had allowed their emotions to cloud their reason. The Government's fallacies of a few years ago about the British market were completely exposed and exploded. The Bill really represented a triumph for the Opposition arguments and philosophy, and it was blindness on their part to oppose it. He would, he said, be deeply disappointed if the Government failed to make a strenuous effort before the end of the year to settle all disputes with Great Britain, or at least to settle the financial dispute. Our position as a mother country involved not only rights, as Mr. de Valera had recently claimed, but also obligations and opportunities, which we gave little evidence of appreciating when we advocated separation or sought to weaken the principle of allegiance to the King, whereby the whole fabric of the Commonwealth was held together. Dr. Ryan, the Minister for Agriculture, claimed that by exports and otherwise the Government had disposed of 780,000 cattle in 1935, a figure well above the yearly average during the ten years when exports were unrestricted, but Mr. Dillon, T.D., later pointed out that whereas the cattle exported in 1931 realised an average price of £16 11s. per beast, in 1935 the average price was only £8.

Closing the debate, Mr. de Valera made one of those long, rambling and querulous speeches, largely concerned with past history, with which we are now too familiar. He complained of the so-called " secret agreement " made by the Cosgrave Government in 1923, of treaties signed under threat of force, and of the burden imposed by the payment of the land annuities to Great Britain—which, he

stated, having regard to the taxable capacity of the two countries, would correspond to a payment of £330,000,000 by Great Britain. The British had tried to mix up the political and financial disputes. Even the Privy Council, he said, had admitted that the Free State Government were entitled to abolish the oath of allegiance and make other alterations in the constitution. He held there was a very big difference between the existing position, in which the British were forced to take this money from them against their will by imposing discriminatory tariffs upon their products, and the position they would be in if they handed over the money voluntarily, as if it was due. While he admitted that the pact represented, to some extent, a lowering of the flag, he believed that right would yet triumph. He refused, however, to give a clear answer to Mr. MacDermot's question, whether he would be prepared to submit the annuity dispute to the Hague Court. They should, he claimed, be free to choose, as people do in arbitration, their own representatives, from whatever source they liked. The Bill, of course, was duly passed, but it does not bring us much nearer to the real solution of our difficulties, which cannot be found in a policy of settlement by inches.

II. Election Preludes

THE various political parties are preparing for the general election that must take place before the end of the next year. None of them is really well organised, and most of them have empty war-chests. Mr. Lemass, the Minister for Industry and Commerce, speaking at Cavan on February 16, claimed that victory for the Government was so inevitable that nothing but slackness in their organisation could lead to defeat. He declared that the progress they had made in the sphere of national policy had been such that they were now in sight of the final goal, and their plan had been so designed that every step forward was irrevocable. He said that no one in

the country would seriously propose the restoration of the oath of allegiance or the appeal to the Privy Council. The success that attended their efforts had been such as to give them every confidence in their ability to complete their programme. One of their difficulties, he said, was the weakening of the Opposition, which was to-day virtually non-existent and without any prospect of revival. But in spite of this drawback the Fianna Fail party was now stronger than ever it had been, a development he attributed to the fact that the party's primary purpose was national and not political. The existence of the United Ireland party was the accidental result of political circumstances, and there would never again appear an Opposition equal to that party's previous strength unless it had a programme that appealed to the Irish people as strongly as the national programme of the Fianna Fail party. That was not likely, because until Irish independence and Irish unity had been accomplished the achievement of these aims would be the main goal of the Irish people.

Mr. Lemass omitted to state that by reducing and rearranging the constituencies, by abolishing university representation, and by opportunist legislation, the Government had done its best to make its position secure and its return to power certain. He is quite accurate in stating that the Opposition has lost ground, although not so much as he affects to believe. The monumental error of making General O'Duffy its leader, his subsequent actions, and his removal from leadership, and the more recent defection of Mr. Frank MacDermot, have seriously shaken public belief in the political judgment of its leaders. The re-election of Mr. Cosgrave as leader has of course had a steadying effect, but at the moment the United Ireland party is in no condition to face a general election with any prospect of success. This is due to lack of both organisation and policy. Political opportunists throughout the country have naturally transferred their allegiance to Mr. de Valera, but while they render lip service to his

republican aims they sincerely hope he has no intention of putting them into practice. These defections, coupled with lack of money and enthusiasm, have had a prejudicial effect on the organisation of Mr. Cosgrave's party. Its policy, which is in many respects a modified edition of Mr. de Valera's, is neither precise nor courageous, and unfortunately pays more regard to vote-catching than to constructive principles. Its present leaders have never faced the question of loyalty to the Crown with courage or sincerity, and indeed, with the exception of Mr. James Dillon, T.D., they have been extremely lukewarm in their attitude towards the Commonwealth.

Mr. Cosgrave, speaking on March 5 at the annual congress of the United Ireland party, when he was re-elected its leader, said that the attainment of political unity in Ireland overshadowed every other political question, and ought to command the most earnest attention of all parties in the State. Only on the basis of the Commonwealth of Nations could the ultimate unity of the country be restored. He referred to the manner in which similar problems had been tackled and solved in Canada, Australia, and South Africa, and said that events since the signing of the Treaty had completely falsified the lurid pictures then drawn of the Free State's economic, political, and cultural domination by the Government and the people of England. He also alluded to the natural advantage of proximity to the British market and said that our agricultural policy should be directed towards exploiting that advantage to the utmost. The farmers and agricultural labourers were the bulwark of the nation, and upon their prosperity depended the prosperity of the country. The strategic importance to Great Britain of having a large food supply available for her people in times of war could be used as a bargaining asset. Peace at home and peace abroad were the first essential remedy for unemployment.

Although Mr. Cosgrave rightly emphasised the importance of national unity, it cannot be claimed that

when in power his Government advanced the possibility of reunion with the North, by its centrifugal policy as regards the Crown and Commonwealth. On the contrary, it raised fresh barriers against reunion, and the present attitude of many of its leaders is still far from helpful.

A very pertinent criticism of the existing situation was made in a letter from a Catholic in the South of Ireland, which Senator Douglas quoted during the recent Senate debate on the abolition of university representation. Pointing out that neither of our two leading political parties welcomed men who think for themselves, the writer added that the principal difference between these two parties was transitory, though it would take some time to pass away. Its cause lay in the animosity arising out of the civil war. But on the question that transcended all others, namely, the type of civilisation that it was desirable for us to work for, they were at one. They had in mind a Gaelic State, which the writer of the letter regarded as a figment of the imagination. One party called itself the Tribe of Gaels and the other the Warriors of Fál, both forgetting that the complex and beautiful thing that was Irish life was compact of the descendants of Gaelic, Norman, Jacobite, Cromwellian, Williamite and post-Williamite invaders, descendants whose character and ideals had been moulded and brought to fruition in this land of Ireland, and who, in turn, had given it their love. It was as if a great political party in England or France were to adopt the title of the Bowmen of Senlac or the Knights of Charlemagne. This insistence on the hegemony of the Gael had no relation to the facts of history. It would have been abhorrent to such Nationalist leaders as Tone, Davis, Mitchell, or Parnell. Both parties, the writer added, professed a desire for a united Ireland, but they imagined a vain thing if they supposed it could now be on the basis of a Gaelic civilisation. If they were sincere in their desire for unity they ought to take pride in the heroism of

their people on whatever side they fought in their old wars —of the 'Prentice Boys of Derry no less than of the defenders of Limerick. A knowledge of the history of one's country was a valuable thing, but when it imported into the discussion of the too insistent problems of the present day the dissensions of centuries ago it was no less than a menace.

This outspoken commentary on our politicians' false national philosophy expresses clearly a growing opinion among educated people which will, it is to be hoped, find more tangible political expression in the near future. It is interesting to note that whilst Mr. de Valera's paper was moved to reply to this letter in one of its characteristic diatribes, the organ of Mr. Cosgrave's party was courageously silent. It is because this party will not honestly face such important questions that it is losing vitality and strength. It has no future as an echo of Fianna Fail, and can only survive if it recognises the realities of Irish life and admits the truth of Parnell's dictum that "Ireland cannot afford to lose a single son".

The other attitude towards national unity is revealed in a recent speech of Senator Connolly, Minister for Lands, made at Limerick on March 28, in which he said that the first step towards unity of the country was to have unity in the Free State, and the next step was to have all the forces in Northern Ireland that stand for unity brought together and consolidated. The only basis for permanent peace with Great Britain was, he said, the recognition of our rights as a free and independent people who could only deal with other countries on a basis of equality of rights. On the day that the truth of this was realised in Great Britain the beginning of real peace and harmony would have arrived. He claimed that the Government had not yielded on any issue affecting the fundamental question of complete independence. All this sounds very like Herr Hitler's political philosophy painted green, and indeed springs from the same rather truculent attitude and

the same feeling of inferiority. But it is significant that Senator Connolly and his like are not so cocksure as they used to be. The policy he advocates, as he was candid enough to admit, can only lead to the Government's eventual defeat by the more extreme republican element, for only by them can it be pushed to its logical conclusions.

This element has recently formed a new party called "The Republican Party of Ireland," which states that its immediate task is

> to organise and prepare the people to assist in setting up a Government of the Republic, representative of the whole of Ireland, and in extending the jurisdiction of the Republic over the whole nation.

It apparently intends to put forward candidates at the next election, pledged, if elected, not to enter the Dail, but to form a rival parliament. This is only a new edition of the old policy followed by the Sinn Fein party in 1919, when they refused to attend the House of Commons, but it is not likely to succeed under present conditions. Its secretary, Mr. Sean MacBride, who is incidentally one of the I.R.A. leaders, in a letter to the press, challenged Senator Connolly's statement and pointed out that the Government, by accepting the Treaty position and maintaining the institutions it imposed, had yielded on an issue affecting the fundamental question of complete independence. The Labour party, not to be outdone by anyone, claims that its political object is a Workers' Republic, although it is not apparently quite clear what this may mean. Many of its supporters seem to think that these words have an objectionable Russian sound, in spite of an assurance by Mr. W. Norton, T.D., the leader of the party, that it only seeks to create here a system under which "none could have too much until the needs of all were satisfied."

An indication of present popular opinion is given by the attack made by the crowd on communist participators

in the Easter Saturday republican procession in Dublin. This was probably organised, because the Church has no intention of tolerating such displays. That they are possible at all is a portent not to be overlooked. It is unfortunately only too true that there are certain forces in the country, active and organised, who seek by terrorism and crime to achieve their political ends. Mr. de Valera, broadcasting a message to Australia on St. Patrick's day, referred to the advance of a new paganism in Europe, and claimed that in the future Ireland might have to play as great a part as she had done in the past to maintain Christian civilisation. But his message was interrupted by a mysterious voice which referred to a "display of English militarism", meaning apparently the parade of the Free State army which had taken place that day in Dublin.

A sinister and terrible example of our Christian civilisation was afforded a few days later, on March 24, by the cowardly murder of Vice-Admiral Henry Boyle Somerville at Castletownshend, County Cork. The victim was a distinguished and patriotic Irishman of the most kindly and charitable personal character, a brother of Miss Edith Somerville, the famous novelist, belonging to a family who have always been deservedly popular with every class in the district where they live. This old man, who had never wronged anyone or taken any part in politics, was shot down in the darkness on his own doorstep by some anonymous assassin. The ostensible reason for this cold-blooded crime was disclosed by a printed paper left behind by the murderer alleging that Admiral Somerville had recruited young men for the British forces. Even this statement was untrue, as his widow swore at the inquest that he had never canvassed for recruits for either of the services. He had only given information to boys who had naturally come to him in order to ascertain the procedure for entering the navy. The sole redeeming feature of this terrible occurrence, in some ways the worst crime that has been perpetrated in Ireland during recent years, is

the universal condemnation it has evoked from every responsible party in the country.

The Catholic Bishop of Ross, Dr. Casey, in whose diocese the murder took place, denounced it in a powerful pastoral letter. He pointed out that the murderer and his confederates must have had local assistance and that such people were equally guilty of the crime. He said it was a sad commentary on our notions of public duty that men were to be found who professed to believe that the public good would be promoted by crime, but it was worse to think that there are men who were persuaded, or persuade themselves, that crime ceased to be crime when clothed with a mantle of pseudo-patriotism. The gospel of the present-day patriot seemed to be hate and his works murder. It was, he pointed out, the duty of every citizen to give all possible assistance to those whose duty it was to bring the miscreants to justice. The Government are naturally taking every step possible towards this end, but there is little hope of their success. The motor car, which undoubtedly was used on this occasion, is a potent instrument in the hands of cowards who only strike when assured of immunity. Moreover, it is difficult to get information from a public who are partially terrorised and even still somewhat sceptical whether information is really wanted or not, and whether, if given, it will lead to conviction before a judge or jury. People cannot forget that no one has yet been convicted, or is likely to be convicted, for the murder of Mr. More O'Ferral, which took place more than a year ago.*

Another terrible political murder took place at Dungarvan on April 26, when a young man called John Egan was shot down at night in the public street by men who at once drove off in a motor car. He had been a member of the I.R.A. On April 30 the Government arrested thirty-one leaders of the I.R.A. in Cork City and County under the special powers given to them by the Constitution

* See The Round Table, No. 99, June 1935, p. 552.

Amendment Act of 1931, under which they are entitled to arrest and detain on suspicion.

These events have certainly added considerably to Mr. de Valera's burthens at a time when he had been already stricken by the tragic death of one of his sons in a riding accident, and by his growing blindness, which has recently necessitated a serious operation in Switzerland and enforced rest from work. The cataract from which he was suffering has been removed, but it will obviously be some time before he can resume his normal political life.

The Bill to re-model the constitution is held up pending his return. It is believed that this measure will abolish the office of Governor General and set up a republic in all but name. It will certainly be the prelude to a general election. The Senate continues its precarious existence, and its execution, so frequently expected and now overdue, will also probably be reserved for Mr. de Valera's personal pleasure. It may even be permitted to survive till the summer recess, but its doom is certain.

III. Strategic Problems

IT is obvious that the modern developments of air power raise serious problems that are bound to react on the future of the Irish Free State. These developments make it certain that if the southern shore of the English Channel, or even the Rhine, is occupied by a hostile Power, that sea-way will no longer be available as a safe approach to Great Britain, and moreover the three repair bases of the British fleet may become unsafe and untenable. The approach to Great Britain by sea would then perforce be possible only through the Irish Sea or by the Atlantic round the western coast of Ireland. Under such conditions the British fleet would, as experts have recently pointed out,* be probably based on Rosyth, Milford Haven,

* See "Defence and Sea Power," by Admiral Sir Barry Domvile, *Observer*, January 19, 1936.

and Bantry Bay. It therefore becomes vital to British security that British forces should be assured of access to Irish territory and harbours in the event of hostilities. The Treaty of 1921 provides that, until an arrangement has been made between the British and Irish Governments whereby the Irish Free State undertakes its own coastal defence, the defence by sea of Great Britain and Ireland shall be undertaken by imperial forces. It also provides that in time of war, or strained relations with a foreign Power, the Free State shall afford to those forces such harbour and other facilities as the British Government may require for the purposes of such defence. These provisions still stand, no arrangement having been made by the Free State to undertake its own coastal defence. British forces still occupy strategic fortified positions at Berehaven, Cork Harbour, and Lough Swilly, and the British may use these ports. But it is obvious that if our south-west ports, such as Bantry Bay or Cork Harbour, are to be used in time of war, more than this will be necessary; for those places would of necessity have to be surrounded by prohibited areas under military control.

These problems raise difficult questions, which must be answered at once in the event of a European war, and which should, under existing circumstances, obviously be discussed and agreed on in advance. It is clear that the Free State Government realise their existence and gravity. Mr. de Valera has recently stated * that the Free State was not arranging to put its territory at the disposition of any Power as a base for an air attack on England. But more than this assurance is needed. Great Britain in such a case would clearly require more than neutrality; for it is obvious that in order to safeguard the approaches to British naval bases in this country the assistance of the Free State army would be desirable and probably essential.

The extreme republican element is alive to the situation, and Mr. Maurice Twomey, the Chief of Staff of the I.R.A.,

* *Paris-Soir*, February 8, 1936.

speaking at Boyle, County Roscommon, on Easter Sunday, said that another great war was imminent and they must be ready to take advantage of it. They must fight, not with England, but against her. England would try to use Ireland as a war base. Under the Treaty she could claim to use Ireland to an unlimited extent, but Irishmen must never again be cannon-fodder for England's battlefields, and the conscience of the country must be used against Irishmen joining the forces of the national enemy. Mr. Sean MacBride has also asserted recently that the Italian Government made it very plain to Mr. de Valera that in the event of war with Great Britain the Irish Free State would not be looked upon as neutral. It is therefore certain that the Free State Government will have to face the opposition of these extreme elements if it takes active steps in support of Great Britain in time of war.

The rights of Great Britain under the Treaty are not ambiguous, but it is clear that their successful application must depend in large measure on the acquiescence and support of the Free State Government. To secure that support arrangements should be made in advance, and not at the eleventh hour. They will clearly be impossible without a complete reconciliation between the two Governments, based on a recognition of the political unity of Ireland.

IV. Postscript on the Budget

MR. MACENTEE'S fifth budget, if not sensational, is certainly satisfactory. Apart from the inevitable new tariffs, ranging from typewriter ribbons to tennis balls, there is no increase in taxation. Revenue last year exceeded the estimate by £1,215,620, a result largely due to the increasing prosperity of our principal customer, Great Britain. Estimating expenditure for the coming year at £30,183,500, and revenue at £30,356,000, Mr. MacEntee expects to have a surplus of £352,500. With this in hand he has reduced the customs and excise duties on sugar by

one farthing a pound, abolished the levies on cattle and sheep, removed the import duties on newsprint and on certain kinds of imported glass and wool, increased the income tax allowance for children from £50 to £60, and reduced the entertainment tax on the cheaper kind of cinema seats. It is only fair to point out that the removal of the tax on coal and the abolition of the cattle bounties, both of which took place before the budget, were also a substantial gain to the taxpayer. The most striking feature of the budget, however, is the setting up of an Unemployment Fund of £1,675,000 without any increase of taxation. This fund, together with contributions from the local rates which will bring it up to £2,500,000, will be used to carry through a definite programme of public works for the relief of unemployment. Mr. MacEntee pointed out that the net amount of our national debt is only £27,867,000, which is considerably less than a single year's revenue. We can therefore congratulate ourselves on having the smallest *per capita* debt in Europe. Under such circumstances, and with a rising revenue, no sensible citizen can object to proper provision for social services and unemployment.

The Irish Free State,
May 1936.

GREAT BRITAIN

I. The Reorganisation of Defence

FOR months political interest has been concentrated on problems of foreign policy and defence. The anxieties of Parliament and the general public about the international situation and our own national security have cumulatively grown. The Italo-Abyssinian war opened men's eyes, as no previous event had done, to the risks implied in a policy of collective security, as well as to the possibilities of attack upon our own direct interests. Then came the reoccupation of the Rhineland and the intense international crisis that followed, sharpening to a fine point the fears for our own position in relation to our European neighbours, fears that had steadily penetrated the public conscience since Herr Hitler's advent to power and the subsequent rapid rearmament of Germany.

The debate in the House of Commons on February 14 on a private member's Bill to establish a single Ministry of Defence took place in an atmosphere of deep concern and anxiety among all parties. Sir Austen Chamberlain in particular created a stir that spread far beyond Parliament by a speech in which he referred to the "very rude shocks" that the House and the country had experienced in recent times, "for which they were wholly unprepared, which remained to-day in large part an unexplained mystery, and which make us anxious lest they should be repeated in circumstances more critical where they might be almost fatal". He mentioned the occasion in November of 1934 on which Mr. Baldwin had emphatically denied that Germany was rapidly approaching us in air armament; whereas six months later he had acknowledged himself completely

wrong, and himself and his advisers completely misled. Sir Austen recalled, too, how when the Hoare–Laval peace plan was first the subject of discussion in the House of Commons, the Prime Minister had said that were these troubles over and his lips unsealed he would make a case and guarantee that no man would go into the lobby against him; whereas a few days later he confessed that he had accepted the peace proposals in error. These things could not have happened, said Sir Austen, if the thinking machine of the Government were working properly and if their defence organisation were really efficient.

The Government's plans for correcting the alleged inadequacy of defence co-ordination have been dealt with at length in an earlier article in this issue of THE ROUND TABLE.* Although political opinion was not altogether satisfied, it had more than sufficient distraction in the broad problem of the increased armaments necessary to ensure both the Empire's own security and the maintenance of its proper influence on the side of world peace through the collective obligations to which it was committed. The needs of the different services and branches of defence were widely and controversially canvassed, and figures began to be put about for the probable cost of the rearmament scheme, and guesses made at the method of its financing. A foretaste of the gigantic bill to be met had been given by the supplementary estimates added to the cost of the defence services in the course of the financial year. These totalled some £13 million, roughly £7 million of which was necessitated by special preparations on account of the Italo-Abyssinian war and the tension in the Mediterranean. The expansion of the air force had already been begun in 1935–36, with the objective of a first-line strength of 1,500 planes, and at a cost in that year of approximately £10 million, this being the difference between the total estimates for the year and the actual expenditure in 1934–35. For the whole rearmament programme a

* See above, p. 461.

figure of £300 million was freely spoken of in well-informed circles.

The Government's statement on their defence policy was therefore eagerly awaited, but when it appeared it failed to satisfy the natural curiosity about the cost of the programme. The Defence White Paper * of March 3 began by reiterating the principles of international policy that the defence scheme was intended to support. Those principles included " unswerving support of the League of Nations, the promotion of collective security, and repeated efforts and initiatives to promote better international understanding, and to reach international agreement for the reduction and limitation of armaments ". In recent years successive Governments had deliberately taken the course of postponing defence expenditure that would certainly have been justified, and might indeed have been regarded as necessary, in order to give the best possible opportunity for the development of a new international order in which such expenditure might be avoided. But conditions in the international field had deteriorated. Taking risks for peace had not removed the dangers of war. The Government had no alternative to reviewing the country's defences and to providing the necessary means both of safeguarding ourselves against aggression and of playing our part in the enforcement by common action of international obligations.

> Collective security can hardly be maintained unless every member of the League of Nations is prepared to make a contribution, adequate in relation to its resources, to the strength of the whole. We cannot excuse our own weakness by pointing to the strength of our neighbours.

The White Paper went on to mention the outstanding facts about the increase of national armaments in other countries, and then to give particulars of the actual defence improvements that were planned. In order to render the navy " capable in all circumstances " of assuring to this

* Cmd. 5107.

country the supplies of sea-borne food and raw materials on which its existence depended, and of maintaining free passage between the different parts of the Empire of troops and supplies of all kinds, new construction would have to be accelerated and deficiencies in ammunition and stores made good. After the expiry of the London naval treaty on December 31, 1936, two new capital ships would be laid down, and meanwhile the modernisation of certain existing battleships would be continued. In cruisers the aim was to increase the total number to 70, of which 60 would be under-age and 10 over-age. (Seventy is the long-standing cruiser-standard of the Admiralty, which it was induced to relinquish, under safeguards, at the London naval conference of 1930.) Five cruisers would be included in the 1936 programme. A steady replacement programme for destroyers and submarines was contemplated, and a new aircraft carrier would be laid down.* The fleet air arm, which was considerably weaker than it should be by comparison with other navies,† would be substantially expanded.

The army, said the White Paper, has three main functions to perform :

> to maintain garrisons overseas in various parts of the Empire, to provide the military share in home defence, including anti-aircraft defence, coast defence and internal security, and, lastly, in time of emergency or war to provide a properly equipped force ready to proceed overseas wherever it may be wanted.

Compared with 1914 the army had been reduced by 21 battalions of infantry, and it was now proposed to raise four new battalions. It was also urgently necessary to equip the army with the most modern armament and

* See THE ROUND TABLE, No. 101, December 1935, p. 53, for tables comparing the actual strength of the navy with the navies of other Powers. See also above, p. 518, for an article on the new limitation treaty.

† In the House of Commons on May 4 Mr. Winston Churchill affirmed that whereas the United States had about 560 aircraft with her fleet, and Japan about 800, even with the extra machines under the programme of 1935 the aircraft of the Royal Navy would not exceed 217. (See also the *Manchester Guardian*, March 30, 1936.)

material. The modernisation of coast defence and defended ports at home and abroad would be accelerated, and the reorganisation of anti-aircraft defence in the south-east of England that had already been authorised would be extended to cover the important industrial districts in the centre and north of the country.

The primary function of the Royal Air Force was

to provide an effective deterrent to any attack upon the vital interests of this country whether situated at home or overseas.

The 1935 programme for the expansion of the Royal Air Force had been designed to bring up the strength of the force at home to a first-line total of 1,500 aircraft. In the light of experience the details of this programme were being revised, and the objective was being raised to 1,750 aircraft, exclusive of the fleet air arm. The problem of co-ordination of air defence was occupying the constant attention of the Committee of Imperial Defence. The air force also had responsibilities in the general scheme of imperial defence. Air units must be located at convenient places on the strategic air routes, for which purpose the Government proposed an increase of approximately 12 squadrons. Four new auxiliary squadrons would form a nucleus for co-operation with the Territorial Army, and the five regular army co-operation squadrons would be raised to seven. The provision of adequate reserves in both men and material for the air force was an essential need. Meanwhile the Air-raid Precautions Department of the Home Office, in consultation with local authorities, had been at work on plans for the protection of the civilian population that were now approaching the stage when they could be put into operation. The White Paper emphasised that the plans for all three services must be regarded as flexible and subject to variation in detail from time to time.

The White Paper then recalled the Government's policy with regard to co-ordination of defence, and noted that one of its purposes was "to ensure the fullest and most effective use of the industrial capacity and the man power

available for production of material in the country". The rearmament programme would make specially heavy demands upon certain branches of industry and upon certain classes of skilled labour. If that was to be done without impeding the course of normal trade, there must be the most careful organisation and the willing co-operation both of the leaders of industry and of the trade unions. The policy of accumulating large reserves of munitions and equipment was rejected, not only on account of the cost, but also on account of the rapid obsolescence of modern weapons and methods of warfare. The preferable plan was so to organise industry that it could rapidly change over at the vital points from commercial to war production should the necessity arise. Not only would it be necessary to extend or duplicate existing government factories (both vulnerability of situation and the needs of the Special Areas receiving consideration), and to obtain the expansion of the plant of normal government contractors, but the field of supply for defence purposes would also have to be extended to other firms not normally engaged in armament work; steps were already being taken to enlarge the field of production for the air force by placing orders with firms that did not ordinarily manufacture either for the force or for civil aviation. Furthermore, the Government had decided to create a reserve source of supply, which would be available in case of emergency. A number of firms would be selected that did not normally make warlike stores but that were suitable both by their experience and by their possession of a skilled staff of engineers and workmen. Arrangements would then be made with these firms for the laying down of the necessary plant and machinery for a given output of selected articles, and sufficient orders in peace-time would be guaranteed to allow for the requisite training in the work of production.*

* It has been announced that two large motor firms have agreed to act on these lines.

It followed from the flexibility of the programme, and from the uncertainty as to the rate of progress possible, that any attempt to estimate the total cost of the proposals would be premature at that stage. The original estimates for 1936–37 would have to be supplemented by provision for the further defence measures described in the White Paper; and those for the following years must necessarily be larger. In the absence of any scheme of general disarmament, the annual cost of maintenance of the reorganised services must remain on a substantially higher level than at present.

This programme received a general measure of cordial assent among supporters of the Government, though there were critics on the score of inadequate co-ordination as well as on technical points like the vulnerability of battleships from the air—a question that has gravely agitated many minds, in view of the immense cost of these giant ships and of the claims put forward for modern air power. On the Opposition side, the Liberals gave their general endorsement to the programme, while pressing for a clearer and more whole-hearted policy of support for the League of Nations as the underlying basis of defence policy. The Labour party pressed the same criticism to the point of opposing the defence programme as a whole, on the ground of the alleged equivocation and half-heartedness of the Government in paying service to the principles of collective security. They argued that although the White Paper ostensibly—even ostentatiously—paid respect to those principles, its substantive terms indicated that in practice the Government took a narrower view of the functions of the defence forces. Labour does not find it easy to make up its mind on defence questions. There is, of course, a pacifist minority in the Labour party, but it is relatively weak in the trade unions, and it seems likely that the latter as a group will afford practical co-operation with the Government in carrying out the programme.

II. The Budget

THE budget—the fifth presented by Mr. Neville Chamberlain—gave some further indication of the cost of the improvement in our defences. The Chancellor's future plans could be founded firmly upon a satisfactory fiscal position; for in spite of an increase of £13 million in the defence votes by supplementary estimates he had achieved in 1935–36 a surplus of nearly £3 million, in addition to the sum of £12½ million paid to sinking fund under the system of a fixed charge for interest, management, and repayment of the national debt. The total surplus on current account thus approached £15½ million. An economy of £7·8 million was achieved on departmental votes, other than the defence services and the self-balancing account of the Post Office, while revenue was up by £18·4 million compared with the budget estimates, and by £36·5 million compared with receipts in 1934–35. The chief contributors to this advance of revenue were customs, income tax, and estate duties.

The prospects for 1936–37, however, were darkened by the need to increase by many millions the expenditure on our defence forces. The total preliminary estimates for the navy, the army, and the air force were £21·2 million higher than the expenditure in 1935–36, and £44·2 million higher than the expenditure in 1934–35. Moreover, Mr. Chamberlain thought it wise to budget for a further £20 million of supplementary estimates for the defence forces, which he thought it probable would be required in the course of the financial year. The Chancellor dealt at some length in his budget speech with the principles that ought to guide the financing of the future cost of the defence programme. The need for the enormous increase in the defence expenditure arose out of two causes:

First, a gap, a legacy left from the past, which the past in its time was either unwilling or unable to bear; and, secondly, the development of a new policy, the benefits of which we hope

will inure to posterity but the initial cost of which has to be met at once.

Both of these circumstances were exceptional, and both, in his judgment, were such as to make it inequitable that the whole cost of the programme should fall upon the revenue that had to be extracted from the people in the course of a single five-year period. On the other hand, it was *neither just nor in accordance with sound principles* of finance that the whole burden should be pushed upon the shoulders of future generations. He warned the House that unless it were possible to come to some agreement upon a general scheme of disarmament the cost of defence was going to rise swiftly during the next few years to a peak, and although thereafter it would descend it would not descend to the old level. The annual cost of the maintenance of the reorganised forces, as the White Paper had said, would in all likelihood substantially exceed the £158 million provided for in the original estimates for this year. Clearly in each year the rising cost of maintenance must be found out of revenue. How much more must be found out of revenue in any particular year he was not now prepared to assess, but it would be well to bear in mind that to raise taxation to a level that would seriously cripple the industries of the country would be to do a very ill service to posterity. In future years, therefore, a part of the emergency expenditure might properly be met out of loans.

Meanwhile he had the task of balancing his budget in the face of an increase of very nearly £64 million in total expenditure as compared with the original estimates for 1935–36. On the present basis of taxation he would be left with a prospective deficit of £21·3 million. He proposed to bring in legislation to close certain methods of evasion of income tax or surtax, notably the practice of forming one-man companies and the colourable education trusts whereby parents diminished their liability to tax by assigning income to their children. Compensation to

parents as a group was provided by the increase of the statutory allowance for children from £50 to £60 per child and for married persons from £170 to £180. There would be a surtax of £1 a barrel on beer imported from non-Empire countries. The "key industries" duties, which were due to expire, would be renewed with certain additions and modifications. The Road Fund would once again be "raided" to the tune of £5½ million. That reduced to £15 million the amount to be found by new taxation. As the restoration and financing of defence was in the interests of all, said the Chancellor, it was only right and fair that all should contribute towards it. An increase of 3d in the £ in the standard rate of income tax, from 4s. 6d to 4s. 9d, would give an extra £12 million, and an extra duty of 2d a pound on tea would bring in £3½ million. On the final balance sheet, the revenue was estimated at £798,381,000 and the expenditure at £797,897,000, leaving a prospective surplus of £484,000.

The rise in the income tax, which had been—rather surprisingly in retrospect—quite unexpected in political circles, was received with gloomy resignation. The criticism of the Opposition was concentrated upon the extra tax of 2d a pound on tea, which was represented as a heartless imposition upon the poor widow and the unemployed family, compelling them go short of some other necessity of life. The Chancellor, however, was surely right in insisting that every household should feel the burden of increased armaments; and the Labour party, who object to so great an expenditure upon our defences, should be the first to welcome any means of bringing home the cost to the mass of the electorate. The immediate effect of the budget in the City was a certain depression of government securities, but they soon revived when investors realised that their surest safeguard was the maintenance of strict principles of public finance. Industrial securities generally have been strong in view of the prospect of largely increased armament orders, but Mr. Chamberlain

correctly pointed out that the effect of rearmament as a stimulus to industry must depend on the extent to which it absorbed new money, and did not merely mean a transfer of purchases from one group of goods to another.

Supplementary estimates for the navy and air force have already absorbed the whole of the £20 million set aside for this purpose, and there is no immediate prospect of curtailing the special expenditure necessitated by the tension in the Mediterranean. Last year, budgetary stability was saved by economies on the civil votes and by the buoyancy of revenue beyond the Chancellor's expectations. It seems likely that if there is to be a balance at the end of the current financial year we shall have to rely on the same factors. There is a common feeling that, as in previous years, the Chancellor has deliberately been cautious in his estimates of the prospective revenue. Yet the final outlook is generally depressing. There has been talk of a rise of annual defence expenditure "swiftly to a peak," some £120 million higher than the budget estimates of 1935–36, which are nowadays regarded as the datum line, and of a total cost of £450 to £460 million, on the same basis, for five years of rearmament. It is thought possible that income tax will be up to 5s. in the £ again either next year or the year after, though beyond that measure it is generally felt that the Government must find the cost out of a short-term loan. Our only comfort is that with rising prosperity, falling unemployment and a high national standard of living we are in a far better position to stand the strain of a higher scale of armaments than those countries whose militaristic preparations have stirred us to take answering precautions.

CANADA

I. Canada and World Affairs

IN the last number of The Round Table * an analysis was made of the Canadian attitude—or rather attitudes—toward the crisis in Europe caused by the Italo-Ethiopian war. The German remilitarisation of the Rhineland having taken place in the interval, it may naturally be asked how Canadians have regarded the new crisis. Canada, of course, is not a party to the Locarno pacts, but, barring the doctrinaire isolationists, this did not blind thinking Canadians to the fact that the German action might well have results that would vitally affect the Dominion, and the course of events has been followed with intense interest.

The vigorous denunciation by Great Britain, together with the other Locarno Powers, of the cynical breach of treaty engagements, and at the same time the disinclination of British public opinion to countenance military action to drive German troops off German soil, were readily understood and approved; and above all the British policy of bringing Germany back into the League was accepted, at least by thoughtful people, as offering a real hope of bringing good out of evil, and of putting the collective system on its feet at the very moment when it appeared to have received a "knock-out" blow. For the very large numbers of Canadians who had come last autumn to hope that the collective system really could be made to work were not prepared to admit that Germany's action had given the League its *coup de grâce*, by making impossible the effective enforcement of sanctions against Italy. Rather their view was that the new German crisis was the direct result of the failure to give the collective system a fair trial—

* See The Round Table, No. 102, March 1936, p. 376.

the result, in other words, of a partial resort to the old alliance system. France, lacking faith in the League, had paid for Italian support against Germany by promising Italy that her Ethiopian adventure would meet with no more French opposition than was necessary (to save appearances), and Germany tore up the Locarno Pact. That is how the case looks from this side of the Atlantic. In other words, as Mr. Chesterton said of Christianity, the collective system has not been tried and found wanting—it has been found difficult and not tried. If Great Britain continues her present policy of " trying " it, it is safe to say that a larger and larger number of Canadians will feel that the only possible course for Canada is to follow her lead.

Some account should now be given of the official attitude of the Government, so far as it has been made clear. Early in the present session the leader of the Co-operative Commonwealth Federation party explicitly asked whether any commitments had been made with regard to imperial defence. While a negative answer was then given, the question was revived after the re-occupation of the Rhineland, and after the Colonial Secretary had made a somewhat ambiguous speech which involved imperial defence. Again the Prime Minister stated that there were no such commitments, and went on:

> I wish to say that so far as the Government of Canada is concerned, as a member of the League we are responsible and take responsibility for only those steps which we have taken by ourselves and on our own behalf What we have done we have done on our own, as a member of the League .
>
> I should add that we have made clear at various conferences that any action in the nature of military obligations of any sort would be entered into by the Government of the day only after such had been recommended to Parliament by the Government and approved by Parliament itself.

It only remains to be said that the question of increasing Canada's defence forces has not been officially raised.

Discussions of foreign affairs in the House of Commons have always been few and far between, and even the critical events of the last few months have not affected this

rule. Early in March a desultory debate took place on a motion urging fulfilment of our obligations to the League, but neither the Government nor the official (Conservative) Opposition took any serious part in it. On March 23, that is, after the Rhineland episode, the leader of the Opposition (Mr. R. B. Bennett) asked for a statement on the European situation. In reply the Prime Minister (Mr. Mackenzie King) quoted as a precedent Mr. Eden's request that the Government should not be pressed for information in the course of negotiations. To this Mr. Bennett agreed, but Mr. Woodsworth (C.C.F.) was less satisfied.

> . . . The Prime Minister (he said) has not indicated in any way whatever what the attitude of this Government is under the circumstances. It is quite true that we are not a party to the Locarno treaty, but we are a member of the League of Nations, and, as I understand it, the recent action of Germany is an infringement of the Covenant. What is the attitude of Canada, or have we expressed an attitude either to Great Britain or to the League with regard to what we consider that action of Germany might involve ? It seems to me that we cannot go on indefinitely without having some indication from the Government as to what the attitude of Canada is.

The Prime Minister's reply is so characteristic as to be worth quoting in full.

> May I say to my hon. friend that, in a word, the attitude of the Government is to do nothing itself and if possible to prevent anything occurring which will precipitate one additional factor into the all-important discussions which are now taking place in Europe. I believe that Canada's first duty to the League and to the British Empire, with respect to all the great issues that come up, is, if possible, to keep this country united. I believe that can be more effectively accomplished at this stage if we wait until we are a little more fully informed than we are at the moment, with respect to all the considerations of which we should have knowledge before attempting to pronounce too definitely upon the position which we are taking or shall take with regard to European affairs.

The brief periods given to debates on foreign affairs suggest a surprising lack of interest on the part of the House as such, while the guarded language of the Prime Minister

would at first indicate a complete absence of foreign policy. The latter deduction, however, is not altogether justified. The Canadian position is a curious one. On the one hand the Dominion has many advantages, arising out of her remoteness from the problems of the Far East and Europe, and her favourable relations with the British Empire and the United States. On the other hand, however, there must always be a reluctance to lose the benefit of this double protection by a commitment to the policy of either great Power. Furthermore, the divisions of opinion in Canada in regard to foreign policy are not party divisions but for the most part sectional ones. "To keep this country united", therefore, on any major issue of foreign policy can never be easy.

In view of the attraction of Canada to two poles, Great Britain and the United States, and in view of the sharp divergences of local opinion, it has apparently been thought wise as far as possible to avoid making foreign policy a political issue. The disadvantage of such a course would seem to be that a failure to discuss foreign affairs in Parliament means that no preparation is being made with a view to the time when the Dominion may be faced with the necessity of taking an important decision. And since it is generally agreed that Parliament would have to make such a decision, there may be reason to fear that it would be based on inadequate study of the continuous development of international relations.

For the moment, however, it seems clear that Parliament will leave the Government free to conduct foreign policy, restricted by a rule that no commitment may be entered into, nor any steps taken that might lead to a commitment.

II. Political Affairs

THE first session of the eighteenth Parliament of Canada opened on February 6, with the balance of power in the House of Commons heavily overweighted in favour of

the Liberals. Since the Liberal-Progressives and Independent Liberals have consistently supported the King Ministry, the latter have been able to command 179 votes against a total strength of 66 mustered by the combined Opposition groups, of which the Conservatives provide 39. The Ministerialists have also had superiority in debating power, and as a result they have encountered little difficulty in getting through their legislative programme. For the Conservatives, for whom the last election produced no recruits of outstanding ability, Mr. Bennett has borne the main brunt of the parliamentary battle; he invariably shines as a critic, whose comprehensive knowledge of the basic problems of Canada makes him exceedingly formidable. His industry and zeal in this rôle are demonstrated by the fact that up to the Easter vacation, which began on April 8, he had himself been responsible for more than 40 per cent. of the contents of Hansard for the session.

The Social Crediters, who with 17 members are the second strongest of the Opposition groups, are all parliamentary novices, engaged in finding their feet in a new arena. They have been exceedingly industrious in their attendance and have lost no opportunity of expounding the merits—in somewhat nebulous fashion—of their pet panacea for the Dominion's economic troubles; but their contributions to debates on other than financial issues have not been noteworthy and their ranks at Ottawa obviously contain no politician of the same Messianic gifts as Mr. Aberhart, the Premier of Alberta. The Co-operative Commonwealth Federation, bereft of their Alberta contingent of experienced parliamentarians, are 8 strong, a feeble band numerically; but every one of them is a reasonably competent speaker, and in consequence they have been able to play an effective part in debates out of all proportion to their numbers. Moreover, one of their recruits, Mr. M. J. Coldwell of Saskatchewan, a schoolmaster of Devonian birth, has in his first session established his reputation as one of the best speakers in the

Commons and is the most promising politician that the parties of the Left have sent to Ottawa for many years. Mr. Stevens, the Conservative ex-Minister who is the solitary representative of the Reconstruction party, has ploughed a lonely furrow, but he is one of the ablest debaters in the Commons, and his speeches, which have been sedulously impartial in tone, have been uniformly good.

The Senate, which has had lengthy adjournments for lack of work, is controlled by the Conservatives by a majority of nearly two to one; but Senator Meighen, their leader, who is a very experienced political tactician, has announced that while they will not spare justifiable criticism they will offer no obstacles to legislation for which the Liberals sought and obtained a clear mandate at the last election. He will choose his ground very carefully before he challenges the Commons on any important issue.

The first two months of the session were mainly occupied with two questions, the trade agreement with the United States, and the problem of unemployment. Nearly a month was consumed in the discussion of the trade agreement, and although towards its close certain Conservatives raised the hoary "loyalty" cry, prophesying that the treaty would pave the way for economic domination of Canada by the United States, the arguments ran mainly upon economic lines. The Liberals held that the treaty would bring great advantages to both the producers and the consumers of Canada; that, while opening wider markets for exports, it would tend to lower the cost of living and increase real wages in Canada; and that it would deal a body blow at the spirit of economic nationalism, which was the curse of the modern world. They made light of such objections as the time limit of three years, predicting that once the practical benefits of the treaty were revealed its indefinite prolongation and even the enlargement of its scope would be assured. And they contended that since the Conservatives had been ready to

deal with the United States on similar lines they were estopped from criticising the agreement actually reached.

The Conservatives' answer to this allegation was to seek to prove that the King Government had only consummated the agreement by sacrificing vital Canadian interests which they themselves preferred to safeguard. They denounced the pact as a dangerous bargain for Canada, which left a large part of her export trade at the mercy of the vicissitudes of American politics; and they claimed that its evil fruits were already visible in the shape of diminished employment in certain industries as the result of increased American competition. They drove home with some success the point that the general concession of the intermediate tariff to the United States had left various Canadian industries with very inadequate protection; as the affected interests have been bombarding Ottawa with their complaints, which are supported by numerous Liberal members, the Government will probably have to take due cognisance of this grievance. The independent groups of the Left endorsed the pact unenthusiastically, expressing the view that it would do little to cure the basic economic troubles of Canada, but they helped the Government to pass the agreement in the Commons by the huge majority of 175 to 39. The Conservative majority in the Senate did not divide against it. Much fiercer criticism was directed by the Conservatives against the terms of the settlement of the trade war with Japan, which they contended were a humiliating surrender to Japanese demands.

The Government brought down three measures designed to deal with the unemployment situation. One of these provided for the establishment of a National Employment Commission of seven members, which is to be charged with the dual duty of supervising the administration of such funds as the Federal Treasury contributes to relief, and of evolving schemes for the provision of work for the unemployed. The chairman of this Commission will be Mr. Arthur B. Purvis of Montreal, the president of Cana-

dian Industries Ltd., a large corporation engaged in the manufacture of chemicals and explosives, who has acquired great prestige as an able and enlightened business leader. In spite of criticism from the Left on the ground that such a representative of "big business" could have no fundamental understanding of the hardships of the unemployed or sympathy with the viewpoint of labour, his appointment has been widely commended by the press and the business community. The Commission need not be envied its task; for the Minister of Labour admitted that at the end of February there were still 1,237,775 Canadians on direct relief, and when the people engaged on special public works or coming under land-settlement schemes were included the total number in receipt of some form of state assistance was still 1,314,082, a figure about which the best that could be said was that it was roughly 120,000 less than the total on the corresponding date of 1935.

In the fiscal year 1935–36 the expenditures of the Federal Treasury for unemployment relief totalled roughly $75 million, and the King Ministry was ambitious to effect a substantial curtailment of this vote for the year 1936–37. So it announced that in view of the fact that the expense of maintaining the unemployed decreased as soon as winter departed, it would reduce its direct grants for relief to the provinces by 15 per cent. This decision evoked vigorous protests from both provincial and municipal authorities, who contended that they could not assume any heavier financial burdens for unemployment, and that if the cut were passed on to the unemployed, through a reduction of their somewhat meagre allowances, serious trouble would be courted. In the end the Government decided to enlarge its programme of special public works for the relief of unemployment. In addition to the $26 million which will be disbursed in grants-in-aid to the provinces, it proposes to spend nearly $60 million on a variety of projects distributed all over the Dominion. It has also agreed to give financial help to the two railways for special

maintenance and reconstruction work, in which it is hoped that the inmates of the relief camps for single unemployed men, due to be closed by the end of July, will find employment at least for a year. But the debates on the unemployment situation revealed that Ministers had evolved no specific new remedy for it and are mainly counting upon a revival of foreign trade to stimulate the basic natural industries and provide more work.

The Conservatives were not slow to remind them of their brave promises during the election that under a Liberal régime unemployment would soon vanish as the result of the bold and effective treatment that would be applied to the problem, and Mr. Stevens warned them that under present world conditions there were distinct limitations to the possibilities of an enlargement of foreign trade. The C.C.F. and Social Credit groups expressed frank disappointment with the inadequacy of the relief measures, arguing that unemployment could be solved only by the adoption of their respective programmes. There were also murmurings of dissatisfaction from some radical Liberals. Indeed, the severest critic of the Ministry on this count was a Liberal, Mayor McGeer of Vancouver, long a stormy petrel of British Columbian politics, who accused Ministers of labouring under the same delusion as their predecessors, namely, that a remedy could be found for unemployment without a drastic reform of the present monetary system, and who advocated an adventurous policy of currency inflation.

The Government has also introduced a Bill designed to change the system of control and management for the Canadian railway system. It proposes to substitute for the present board of three trustees, which was a creation of Mr. Bennett's Ministry, a directorate of seven, such as had functioned under earlier Liberal Administrations. In introducing the Bill Mr. Howe, the Minister of Transportation, severely criticised the board of trustees on the ground that none of them had any familiarity with rail-

way problems and that they had made no progress toward rescuing the railway from its embarrassments. He announced that the chairman of the new directorate would be a practical railway man, Mr. S. J. Hungerford, who had for many years been one of the chief executives of the system. Mr. Howe's criticism naturally aroused the wrath of Mr. Bennett, who claimed that, if the King Ministry were allowed to appoint a board composed of their own creatures, the door would be opened for a fresh bedevilment of the railway by political interference. Since this view is widely held in the Conservative party there is more than a possibility that the Conservative majority in the Senate may reject this railway legislation, and a sharp controversy between the two Houses would then develop.

The problem of provincial debts and finances, with which is bound up the wider problem of constitutional reform, has been a constant source of worry to the King Government. Early in its career it made up its mind that it could not continue indefinitely the generous policy followed by its predecessors in handing out at intervals generous loans to financially embarrassed provinces, without securing some safeguards against further extravagance and financial mismanagement by the borrowers. As the result of a Dominion-provincial conference held at Ottawa last December and subsequent meetings of a national financial committee appointed by this conference, there was concocted a scheme under which loan councils would be established for each province, together with a National Loan Council, as a prelude to a comprehensive refunding of provincial debts at lower rates of interest with the help of a guarantee by the Federal Government.

On its initial production the scheme, which has many merits, seemed to have a reasonable chance of general acceptance, but a study of its implications caused strong opposition to emerge from different quarters. Various provincial politicians protested that if the provincial Administrations surrendered control of their borrowing

operations to loan councils, which would be dominated by the Federal Government and the Bank of Canada, they would be rendered incapable of formulating policies for vital matters that come within their jurisdiction under the constitution. The issue came to a head at the end of March, when the Social Credit Ministry in Alberta sought help from the Federal Government in meeting a bond issue of $3,200,000 maturing on April 1, for which purpose its own funds were hopelessly inadequate. Mr. Dunning, the Federal Minister of Finance, with the approval of the Cabinet, insisted that as a condition precedent to any further help the Alberta Government must agree to conform to the loan council scheme. After due deliberation Mr. Aberhart announced that he could not accept the Federal Government's conditions, and Alberta proceeded to achieve the distinction of being the first Canadian province to default upon its financial obligations. Mr. Dunning, however, had made it clear that his imposition of stern conditions was not dictated by any desire to frustrate the experiment in Social Credit, and he laid down the same conditions to Mr. Pattullo, the Liberal Premier of British Columbia, when he made a request for similar help towards the end of April.

The rejection of the loan council scheme by Alberta makes it politically difficult for any other provincial administration to accept it, lest it be accused by its opponents of bartering away provincial rights. The British Columbian Ministry has somehow or other managed to find money to meet its immediate obligations, and has so far not accepted the loan council scheme. At present there are on the order paper of the House of Commons resolutions aiming at amendments to the British North America Act that would clothe the Federal Government with authority to render financial help to the provinces by its guarantee, to erect safeguards for the protection of its Treasury, and to make adjustments of taxation arrangements with the provinces. But in view of the fact that

the western provinces, which need financial help, are for the most part averse to waiving any of their rights, while the eastern provinces, which do not need help at present, are frankly indifferent to the project, the effort to secure the contemplated constitutional amendments may not be pressed further.

Moreover, the Ministry's wider scheme for a comprehensive reform of the constitution, designed to remove some archaic features, such as the retention of control over it by the British Parliament, and to bring it into conformity with modern conditions, is now making heavy weather, after a brave start. A committee of legal experts had been set to work to draft a tentative plan of procedure for constitutional reform, but in the course of its deliberations sharp differences of opinion arose. It was peculiarly unfortunate and quite unexpected that after M. Taschereau, the Premier of Quebec, who had previously been a "die-hard" opponent of constitutional changes, had announced that he was prepared to support them, having become convinced that minorities like the French-Canadians and the Catholics would be assured of fair treatment under any new dispensation, an obdurate and unreasoning stand against any tampering with the B.N.A. Act should have been taken by the delegates of New Brunswick, who maintained that a sinister scheme was afoot to wipe out the cherished provincial autonomy of New Brunswick and reduce its legislature—a body with sovereign rights dating from 1784, when it first became a separate colony—to the contemptible status of a municipal council. The attitude of the New Brunswickers, who are Liberals, infected the Liberal Administration of adjacent Nova Scotia with the fear that its endorsement of constitutional reform would place a powerful weapon in the hands of the Opposition, and so in turn it began to manifest lukewarmness towards the project.

As a consequence, no further progress towards its achievement, which all intelligent Canadians agree to be

highly desirable, seems possible for the time being. Meanwhile the Supreme Court, which was charged with pronouncing upon the constitutional validity of half a dozen measures of social and industrial reform passed by the last Ministry, and which two months ago heard lengthy arguments by eminent counsel on the subject, has not delivered its judgments. If it condemns the challenged legislation, of which a substantial part is in operation, great confusion will follow and the issue of constitutional reform will become more pressing than ever.

The greater part of the sessional programme is now before Parliament, but there may be some important additions arising out of the reports of a series of parliamentary committees and Royal Commissions which are investigating such diversified problems as the operations of the textile industry, the working of the Canadian Radio Commission, the problem of grain marketing and the penitentiary system. There may be some controversy about a Bill under which the Government proposes to acquire for itself control of the Bank of Canada by issuing new stock; the radical elements in the Commons think it does not promise effective state control and the Conservatives think it will expose the bank to political interference.

The budget is due to be submitted on May 1, and since the national aggregate deficit will be about $140 million it will prescribe some increases of taxation. There will also be certain changes in the tariff designed to improve the position of British exporters in the Canadian market, but they will be limited in range as Ministers want to reserve their bargaining power until later in the year when a delegation of the Cabinet proceeds to London to discuss with British Ministers a broad revision of the Anglo-Canadian fiscal agreement. Mr. Mackenzie King's Ministry, if somewhat lacking in imagination and adventurousness, has shown commendable vigour and efficiency in administration, but the days of its political honeymoon are

over, and while troubles are emerging for the Liberal party in various provincial fields, disillusionment is spreading about its capacity to solve the fundamental problems of the Dominion.

III. Wheat under the Trade Agreement

ONE of the concessions granted by the United States under the trade agreement of 1935 between herself and Canada concerns low-grade wheat. The United States tariff of 1930 provides for an import duty of 42 cents per bushel on milling wheat. In view of the difficulties that the United States has encountered in recent years in disposing of its own wheat surplus and the measures it has taken to reduce wheat acreage, it could scarcely be expected to lower its tariff on wheat of millable quality to admit additional supplies from Canada. The rate of 42 cents per bushel on wheat was originally established by President Coolidge in 1924 upon the recommendation of the United States Tariff Commission, which conducted an elaborate investigation into the comparative costs of growing and marketing wheat in western Canada and in the United States.

The United States tariff of 1930 also provides that wheat unfit for human consumption shall be admitted under a duty of 10 per cent. *ad valorem*. Until the late autumn of 1934 this paragraph was strictly construed, so that practically no low-grade wheat from Canada could enter the United States. In 1934 the extremely severe drought in the United States reduced cereal production there to a point where it verged upon a national calamity. The corn crop was estimated at approximately 1,500 million bushels, compared with 2,334 million bushels in 1933, other feed grains suffering similarly. Under these circumstances it became apparent that imports of feeding stuffs into the United States would be necessary to maintain live-stock. It was represented to the United States Government that under a more liberal interpretation of the terms "wheat unfit for

human consumption" supplies of low-grade wheat, which it would not be commercially practicable to mill for flour, could secure entry into the country from Canada. In anticipation of such a ruling of the Treasury Department some shipments of feed wheat and No. 6 wheat were made from western Canada before the close of navigation in the autumn of 1934. Subsequent shipments were made by rail during the winter. In March 1935 the Secretary of the Treasury authorised the Customs Department to admit wheat containing 30 per cent. or more by weight of damaged kernels as wheat unfit for human consumption and dutiable at the rate of 10 per cent. *ad valorem*.

The explanatory note released to the Canadian press on November 17, 1935, which accompanied the publication of the text of the trade agreement, contained the following statement:

> While the agreement does not cover cereal grain, of which both countries are normally net exporters, it does provide for the maintenance of the 10 per cent *ad valorem* rates of duty under which Canadian feed wheat and by-products of grain have been entering the United States.

Actually the United States has made no change in this paragraph of the tariff of 1930, but the agreement is intended to protect the more liberal interpretation that had been adopted.

Under the interpretation now effective Canadian northern wheat graded as No. 6 or feed is eligible to enter the United States at the 10 per cent. rate. This wheat is excluded from the higher grades chiefly on account of damage from frost. The determination of what constitutes wheat unfit for human consumption rests with the United States Government's technical officials. It is possible that some No. 5 wheat may also secure entry. The Canadian western wheat crop of 1934 contained a relatively small quantity of low quality wheat, only 3,524 cars, or less than 3 per cent. of total wheat inspections, being graded as No. 6 or feed. But in 1935 the western Canadian crop suffered severely from killing frosts, and out of total primary wheat inspections

of 90,998 cars between August 1 and December 31, as many as 4,825 cars were graded No. 6 and 7,087 cars were graded feed wheat. This would indicate total market deliveries of at least 25 million bushels of wheat unfit for milling during the present season.

When the United States customs ruling first went into effect there were lively expectations in western Canada that a very large export to the United States for feeding purposes would develop. Estimates of exports as high as 25 million bushels were made. Although a substantial movement has occurred these expectations proved to be over sanguine. Exports of low-grade wheat for feeding purposes from Canada into the United States between November 1934 and January 1, 1936, amounted approximately to 16 million bushels.

It is impossible to forecast how valuable the concession will prove during the next three years, the life of the agreement, since that depends entirely upon favourable or unfavourable crop conditions in the two countries. The production of low-grade wheat naturally varies from year to year and bears no close relation to the total area under cultivation or to the total yield. Apart from the supplies caused by adverse weather conditions, wheat unfit for human consumption might be produced by denaturing wheat of a higher quality through the use of dye processes, but with present price levels for the higher grades there is no incentive to develop the technique required. The widening of the American regulations for imports of feed wheat, however, has given Canada an additional market for her surplus just at a time when she has considerable stocks in hand of the quality to which the reduced rate applies.

Canada,
April, 1936.

AUSTRALIA

I. King George V

THE death of King George V has evoked much more than the decent mourning customary when a monarch dies. Many have felt the poignant regret that comes only when a deeply loved personal friend is taken from us. And this feeling has been as strong among those who profess themselves primarily Australians as among those who are purely British. Sentiment that is not personal has of course contributed. King George was the first Chief Magistrate of a great Imperial Commonwealth that freely admitted the equality of status of each of its constituent Dominions. He was, in one sense, the first king of Australia. But personal attachment was the final explanation of our universal sorrow. During and since the Great War, his simple, unobtrusive but powerful personality had become an inspiration. Thousands of Australians as soldiers saw him during the war. Many more have heard his voice on the radio and the films since then. His devotion to duty, his wide knowledge and good sense, his deep sympathy with the common man have become apparent to all. It is no exaggeration to say that we know we have lost a man who was one of us and the best of us.

II. Political Chronicle

EXTERNAL affairs, migration, and defence are beginning to occupy the attention of the public, but the Labour party cares for none of these things. Defence is to be limited to " adequate home defence against possible foreign aggression ". There is to be " no raising of forces for service outside the Commonwealth, or participation or

promise of participation in any future oversea war, except by decision of the people". Responsible Labour leaders, when questioned privately, have admitted that a Labour Government in an international crisis would act as the danger of the moment demanded. None the less the party has no external policy based on the duties, responsibilities, and dangers of Australia, either as an autonomous community in a re-arming world, or as a partner in the imperial Commonwealth. This air of "splendid isolation" will be intensified by the closing of the breach between the Federal party and the New South Wales party.

The Labour Party and Mr. Lang

Overseas readers must often have been puzzled by the excessive publicity given to Mr. Lang, who in the closing days of the Scullin Ministry (1931) seemed to overshadow the Australian Prime Minister. The explanation is that Mr. Lang represents a new type of Labour organisation and method, which has been tried without success in New South Wales and may yet be tried in the Commonwealth and other States. The Labour party in Australia has always had a militant or left wing and a moderate or right wing. The former advocates collectivism, the latter is content with improvement in industrial conditions and extension of social services. Their differing and, it may be, incompatible aims both find expression in the party's statement of policy. A *modus vivendi* has been found in an objective—or declaration of ultimate intention—which is socialistic, coupled with a day-to-day policy which recognises and indeed builds on the existing individualist economic structure. The inevitable conflict between the two wings is fought out, not in the parliamentary parties, which carry out policies formulated in conferences, but in those conferences and in the political leagues and trade unions that make up the extra-parliamentary structure of the party.

There is no sharp division in opinion between political

leagues and trade unions. " Moderates " and " militants " are found in both, and indeed the majority of league members are trade unionists. But the intransigent and the zealot have found the unions more plastic than the leagues. Many trade unionists take no interest in the election of officers or the shaping of policy. A militant minority can easily carry resolutions and elect its nominees. Political leagues, on the other hand, include professional men, married women, and others who have no title to trade union membership. They are frequently—more especially in rural constituencies—dominated by the personal friends or political associates of the parliamentary representative, whose political experience inclines him towards moderation. Consequently, those who want " socialism in our time " have striven to reduce the representation of the political leagues and increase the representation of trade unions at the State conferences, which lay down the policies of State parties and elect representatives to the federal conferences. They have succeeded only in the State of New South Wales.

The schism of 1931 resulted partly from the difficulties inherent in federalism, partly from the refashioning of the party machine in New South Wales, and the development of a spirit of intolerance there. As it was impossible to transfer to a party conference the delicate equipoise between representation of States and representation of persons, which has been produced in the Commonwealth Parliament by giving the States equal representation in the Senate and representation proportionate to population in the House of Representatives, the federal conference has consisted of six representatives and the federal executive of two representatives from each State. Theoretically this was undemocratic, in practice it worked, because the federal policy in the main was one on which there was general agreement throughout Australia. But before the Scullin Ministry assumed office in 1931 the mine that was to wreck it had been laid. Secondary industry had developed in

New South Wales and Victoria. The other States were still farming and pastoral communities, in which resentment caused by unemployment was less keenly felt. There was thus certain to be a demand for more vigorous measures from the class-conscious city workers of Sydney and Melbourne than the mild-minded citizens of the other States would tolerate.

In New South Wales the new conditions had already produced a party revolution. The industrial unions had captured the machine. The party rules had been recast so as to reduce the representation of leagues from about one-half to less than one-quarter. This ensured the ascendancy of the militants. To make their control of the political machine absolute, the left wing took all power of deliberation, even as to the means by which the party platform was to be executed, out of the hands of the parliamentary party, and made the leader of the New South Wales party, Mr. J. T. Lang, who was then Premier of the State, the sole public exponent of the party platform. In all other States and in the Commonwealth, the party machinery continued as before. In Victoria, the militants were powerful and active, but did not favour a complete departure from democratic methods.

In 1931 the Scullin (Labour) Ministry proposed to meet a falling price level and rising government deficits by a policy of "limited inflation". The New South Wales Labour party executive immediately took the wind out of their sails by a more spectacular proposal. The "Lang Plan" was announced. In brief, it meant suspension of payment of interest on that part of the public debt which was owed to investors in Great Britain, and reduction to 3 per cent. of all interest owing on the internal debt. The result was the expulsion of the New South Wales Labour organisation from the Australian Labour party and the organisation of a new Federal Labour party in New South Wales.

Since then two federal elections and two elections in the

State of New South Wales have been held. Labour has been defeated in all. But Mr. Lang, though rejected by the people of his State, has retained his grip on his party machinery. The sources of his political power have been the Sydney *Labour Daily*, on which he holds a debenture, the trade union representatives on the New South Wales Australian Labour party executive, most of whom are controlled by Mr. John Garden, M.P., former secretary of the New South Wales Trades and Labour Council, and radio station 2 KY (Sydney), which Mr. Garden controls on behalf of the Trades and Labour Council. The party revolution in New South Wales, which first made the New South Wales Labour party a distinct type of organisation within the Australian Labour party, which then wrenched it apart and kept it intact as a separate entity, and which has now compelled a reunion apparently as arbitrary as the separation, was the joint work of Mr. Garden and Mr. Lang. Mr. Lang was the king, Mr. Garden the king-maker.

The Australian Labour party, which outside New South Wales has continued to acquiesce in the unequal yoking of "moderates" and "militants", has found that moderation is the key to electoral success. In the Commonwealth as a whole it has failed. In Queensland and Western Australia, where the moderates prevailed, it has won two successive elections. In New South Wales the "Federal Labour party", which was established to take the place of the rebellious party led by Mr. Lang, has not become an effective force. It has not won a single seat in the New South Wales Legislative Assembly—though a large number of candidates contested two general elections—and it has retained only one New South Wales seat—Newcastle—in the Commonwealth House of Representatives. The Federal Conference of the A.L.P. has now agreed to disband its skeleton army in New South Wales and accept Mr. Lang and his followers as the official party.

This, however, is a yielding to *force majeure*, not a change

of heart. The Labour party outside New South Wales is still democratic, moderate, and prepared to work within the constitution. Its outstanding leaders are Mr. Forgan Smith, Premier of Queensland, and Mr. Collier, Premier of Western Australia, both of whom would fit easily into a Liberal or Radical party. Even in Victoria, where the militant trade unionists are in the saddle, Mr. Lang and his methods of organisation are not popular. Labour leaders outside New South Wales realise the electoral handicap that association with Mr. Lang brings. All are aware of the popular reaction to the policy that led *Punch* to refer to him as the "New South Welsher," and most are genuinely opposed to his dictatorial methods.

Meanwhile the king and the king-maker have fallen out. Probably neither has been encouraged or deterred by the classic example of Edward IV and Warwick. Mr. Lang and Mr. Garden are not students of the past. They are interested in immediate material things. Mr. Lang controls the Sydney *Labour Daily*, Mr. Garden radio station 2 KY. Both are vital to the man who wants the votes of class-conscious Labour electors in New South Wales. But the *Labour Daily* is not at the moment profitable. Station 2 KY is. Mr. Lang's followers on the Sydney Trades and Labour Council therefore attempted to take the control of the radio station out of the hands of the Council and put it under the control of a committee representing the Labour Council, the New South Wales political Labour party and the *Labour Daily*. This meant, in effect, control by Mr. Lang. Mr. Garden resisted, and his influence has been strong enough to call a stalemate. For the moment, the fight is off. "King-maker" and "king" have made peace—whether permanently or not is a close secret. The dispute has shown that Mr. Lang's control of his political machine is not complete. But the establishment of a balance of power between two party bosses does not mean democratic control. The New South Wales section of the Labour party is still, in method and spirit, alien to the

rest of the movement. Labour may break again, and break at the joint recently articulated.

Western Australian Elections

At the general election in Western Australia the Government's majority was reduced to two. The Premier, Mr. Collier, was returned unopposed, but Mr. J. J. Kenneally, Minister for Employment, was defeated by a narrow margin. There may be some significance in Mr. Kenneally's defeat, as he was the strongest man in the Ministry and responsible for the policy by which the Government was judged. There is some humour (considering the issues) in the success of his opponent, an Independent who on January 14 was adjudged bankrupt, and whose election may therefore be declared void. The Independent's bankruptcy was the result of his championship, at his personal expense, of a suit against the Government. The success of the Government in promoting or at least permitting business revival was really the only issue. Its return by a narrow majority indicated that there is no attractive alternative to its honest but not particularly vigorous re-employment policy. The secessionists are still active, but it is questionable whether the Government's refusal to take their agitation seriously lost it much support. The coming fusion with the New South Wales Lang party alienated some voters, but probably made little difference to the result. The conference that re-admitted Mr. Lang had been postponed in order that "unity" might not be achieved before the elections. Moreover, Mr. Collier opposed Mr. Lang and his methods, and Mr. Kenneally was President of the Federal Labour Conference that read the New South Wales branch out of the Labour party and on two occasions refused it re-admittance.

Mr. Hughes

After the brief rustication that followed his declaration that sanctions would lead to war, at a time when the

Ministry of which he was a member had decided to support sanctions, Mr. Hughes has been reinstated. The calmness with which Mr. Hughes took his dismissal suggested the interchange of harmless pistol-shots customary in a modern French duel. Now "honour is satisfied" and our one elder statesman resumes office, smiling and unscathed. Politics will be more interesting and reporters and caricaturists pleased. There is a woeful deficiency of picturesque personality in our politics to-day.

III. Interest Rates

At the beginning of March the Bank of New South Wales and the Bank of Adelaide raised their rates of interest on fixed deposits. Their action was interpreted as a defensive measure against the Commonwealth Bank's issue of £1 million of treasury bills, which had been offered for the first time on the "open market". On March 23 the Commonwealth Bank in its turn increased interest rates. The rates for three-months deposits were raised from 1 per cent. to 2 per cent., for six-months from 1½ per cent. to 2½ per cent., for twelve-months from 2¼ per cent. to 2¾ per cent., and for twenty-four-months from 2½ to 3 per cent.

The issue of treasury bills was a failure—only 31 per cent. were taken up—and the Commonwealth Bank then announced that the old rates for deposits would prevail if the two banks that offered the higher rate would revert to their former rate. The Bank of Adelaide was willing, but Mr. A. C. Davidson, general manager of the Bank of New South Wales, stated that he would not reverse his policy unless the Commonwealth Bank gave a clear indication that it intended to keep interest rates low by expanding central bank credit. The reply of the Commonwealth Bank was to fall in line with the Bank of New South Wales. It is expected that the new deposit rates will be accepted by all trading banks and that a corresponding rise will be made on the charge for bank advances.

The prospect of hardening interest rates has caused some concern. A period of "cheap money" has contributed largely to our very considerable measure of recovery. Many people hoped that it would continue until our percentage of unemployment was further reduced and until commodity prices, factory expansion, building, motor registrations and the other familiar indications of returning prosperity had risen somewhat further. Some people are asking whether the Commonwealth Bank and the Bank of New South Wales have both interpreted the national need of the moment correctly or whether their divergent policies have brought them and us to a position that nobody desired.

The issue of treasury bills was the occasion of the rise in deposit rates. But it is not certain that they were issued with the intention of raising interest rates or even with the knowledge that such an effect would result. The stated aim was to ascertain if there was an "open market" for these short-term loans at a low rate in Australia. Hitherto treasury bills have been held by the Commonwealth Bank and the trading and other banks. Of the total amount outstanding at December 31, 1935, the greater part had been issued to finance budget deficits and special government expenditure to relieve unemployment. As the banks have usually renewed their holdings for a further term when the bills they have been holding have matured, the Government has had the advantage of loans at low rates of interest for a long time. The issue of treasury bills has thus been a main determinant of the cheap credit we have been enjoying.

The issue on the "open market" tended to have precisely the opposite effect. The holders of the bills were expected to be insurance companies and business houses with some temporarily idle capital. An immediate consequence of the discounting of the bills would be the withdrawal of the holders' deposits from the trading banks. The banks might therefore have been expected to raise their

deposit rates in order to prevent a weakening of their cash reserves. A discount rate of 1¾ per cent. on three-months bills represented higher interest than the trading banks' rate for fixed deposits for the same period, and as the bills did not increase government indebtedness, being merely a renewal of bills already held by the Commonwealth Bank, the placing of them on the open market was equivalent to selling securities, with the result of reducing the cash holdings of the trading banks. It was therefore a deflationary move. None the less it was possibly intended simply as an experiment to test the possibilities of establishing in Australia an open market for treasury bills, which is an important instrument of central bank control of credit. With the rate of interest on three-months deposits raised to 2 per cent., it is not surprising that the issue was a failure, despite the tempting offer of freedom from certain taxation.

The General Manager of the Bank of New South Wales may have interpreted the action of the Commonwealth Bank as a signal from the central bank that a rise in rates was due, or he may have decided that the Commonwealth Bank had no clear policy on the matter of interest rates, and that therefore the trading banks must themselves take the line of safety. From the point of view of the public the important question is whether there is a banking policy in Australia or whether the conflicting aims of institutions which cannot read one another's minds have precipitated us into an unwise policy. Reasons for believing that there is one general policy which is simply a response to current needs may be briefly summarised.

There has been a steadily increased demand for credit—between December 1934 and December 1935, the " ordinary advances and discounts " for all banks in Australia increased by £14,304,000. The rate on mortgages has tended to increase; in December 1935, as much as 33 per cent. of those registered in New South Wales were at over 5 per cent., against 28 per cent. at over 5 per cent. in November. Current account deposits have increased by £7,804,000

in the twelve months ended December 31, 1935, while fixed deposits have declined in all the Australian banks. There has been sufficient increased demand for credit to indicate that orthodox bankers would expect a hardening of rates.

Accompanying this there have been some of the signs that indicate, to believers in a centrally controlled banking system, the necessity for curbing credit expansion. Funds held temporarily in Australia on behalf of London interests have been withdrawn during the last year. The excess of exports over imports fell in 1935 and reserve funds were drawn on to meet interest payments. London balances of Australian banks have apparently been considerably reduced (as the current totals of London balances held by the trading banks are not known, the extent of the reduction cannot be estimated). The London funds of the Commonwealth Bank on January 27, 1936, were £12,083,000 sterling, compared with £19,740,000 sterling on January 28, 1935. The amount spent abroad by travellers from Australia is increasing and is likely to increase during the year. *A rise in interest rates may therefore* be justified as a salutory check on unwise spending.

Two groups of thoughtful observers will continue to doubt the benefits of hardening interest rates—first, those who believe with Mr. Keynes that a long period of "cheap money" is necessary to restore a reasonable measure of prosperity; and, second, those who believe that we have neither the self-adjusting mechanism of a purely competitive banking system nor a well-integrated banking system controlled by a central bank. And of course these groups are not mutually exclusive.

IV. The Air Mail Contract

ON January 31 the Prime Minister announced that the Australian Government had decided to reject the British Government's proposal that Australia, in common

with India, South Africa, and New Zealand, should participate in a scheme for the complete reorganisation of the Empire air mail services, with attendant changes in the present system of control, operating, finance, and routing. The chief detailed features of the proposed scheme, which was to commence in 1937, were: (1) the carriage of all first-class mails, exchanged between the Empire countries concerned, at rates approximating to those charged for sea carriage, (2) a twice-weekly service, (3) the use of large Empire flying-boats between Singapore and Sydney, and between Sydney and New Zealand, using a coastal route via the Gulf of Carpentaria, (4) the pooling of the resources of Dominion companies under the control of Imperial Airways Limited, (5) the payment by the Australian Government of a direct subsidy to Imperial Airways. It appears, however, that under the proposals the present mail subsidy paid by the Commonwealth Government to British shipping companies would still be continued.

In rejecting these plans the Commonwealth Government submitted counter-proposals which would have involved, had they been accepted, an improvement of the present service between Brisbane and Singapore—which has proved a great success and is now unable to cope with all the mail and passengers offering—and a reduction of the surcharge per letter from 1*s*. 6*d* to 6*d*.

However, this plan was rejected by the British authorities, and at the time of writing negotiations between the two Governments are still proceeding. It has been stated that Imperial Airways will go ahead with their original plans whether or not the Australian Government co-operates in them.

The decision of the Commonwealth Government was the result of prolonged Cabinet discussions, and it is understood that the Cabinet was to some extent divided. There has been aroused in the public mind a certain amount of suspicion that what is regarded here as an important

Empire question had been made the subject of an inter-departmental tug-of-war. This suspicion was not mitigated when the Prime Minister, announcing the Government's decision, said that as negotiations were still proceeding a full statement of the reasons on which the Government's policy was based was undesirable at that stage. He sought refuge in generalities, such as the necessity to assure the future of civil aviation in Australia, which, it was asserted, postulated the full control of the Brisbane–Singapore section of the Empire air route; both these factors, he suggested, were essential from the point of view of Australia's defence policy. Co-operation with the British Government, he said, was most desirable, but Australia must have the right to control her own airways. Much of this bald statement, unsupported as it was by any facts, involved so much question-begging that it was not surprising that the Government's policy had on the whole a very bad press.

Only two of the important morning dailies gave it any degree of support. The *Labour Daily* of Sydney professed to see in the British plans part of a design to secure the future control of the financial and economic policy of the Commonwealth, and condemned them out of hand. The Melbourne *Age* supported the Government, chiefly on protectionist grounds. It was easy to reconcile the proposal to establish an Australian aircraft building industry, which was held to be an important adjunct of the Government's policy, with the traditional attitude of this journal, and the argument was still more attractive if it were presumed (and the Government invited the presumption) that the building-up of such an industry depended on a continuance of the present organisation of the overseas air mail service.

The *Sydney Morning Herald*, the Melbourne *Argus*, and the Brisbane *Courier-Mail* were all extremely critical of the Government's policy, chiefly on the ground of defence, the very ground on which the Minister of Defence, who was left to defend the Government as best he could until

Parliament met, sought to take his stand. The *Herald* said in a leading article on February 3:

> The Minister for Defence has by word and attitude declared air-mail policy to be primarily a defence matter. What then becomes of the basis of Australian defence policy, namely Imperial co-operation under the Empire defence scheme? Every Minister of Defence has affirmed the principle. We rely for security primarily upon British sea power, and secondly upon supplementing Britain's overwhelming overseas burden through efforts of our own devised in consultation towards a common plan. That flying boats are a vital auxiliary nowadays to the British fleet is accepted.

The Brisbane *Courier-Mail*, with the largest circulation in the State that has led, and still leads, civil aviation in Australia, put the case against the Government more specifically. On February 5 it said:

> The Brisbane–Darwin service was in existence and fully justified long before the Darwin–London service was considered a feasible commercial proposition. An Australian aircraft building industry for both civil and defence purposes will not be obstructed because large Imperial flying boats use Australian coastal waters and require for their maintenance highly qualified Australian technical staffs. And, to quote Mr. Parkhill (the Minister for Defence), if the Imperial scheme necessitates the new seaplane route from Darwin via the Gulf of Carpentaria, it is difficult to see how this will weaken Australia's capacity for defence. From Queensland's point of view at least, it would be very welcome if the Federal Government were at last stirred to take an interest in the coasts and waters of Northern Australia.

The last sentence presumably was in reference to the repeated protests that have been made by the Queensland Government to the Federal authorities regarding the presence of foreign seacraft off the Queensland coast. Although no detailed reasons for the Government's policy were available when these opinions were expressed, it is clear that the leading journals of the Commonwealth, with the exceptions mentioned, and including the well-known Sydney weekly, the *Bulletin*, which holds high-protectionist principles, viewed the apparent lack of co-operation exhibited by the Federal Ministry in the projected Empire

air scheme with misgivings, which the emphasis given to the Prime Minister's statement by the Minister for Defence has done nothing to allay. Recent events abroad have no doubt accentuated the importance of the defence aspect of the question, and unless the Government is able to reassure public opinion, which shows signs of being aroused, that its policy is not inconsistent with the rapid development of an Imperial scheme of defence, it is likely to be subjected to further widespread criticism.

The Government is unquestionably right in its policy of assisting to develop aviation in Australia for both civil and defence purposes. It has been rather lax in the past, especially with regard to the provision of adequate flying facilities; even now the ground organisation is quite inadequate in many parts, and substantial sums will be needed to put it on to an up-to-date basis. Informed opinion appears to consider that the successful future of Australian aviation is more bound up with a policy directed towards making flying safer than with questions concerning the relative merits of land aeroplanes and flying-boats, or the control of the Brisbane–Singapore route. Australia may, or may not be, as was stated by the Minister for Defence, "the second best flying country in the world", but it certainly has enormous flying potentialities.

There are already 27 regular services, of which 11 are operating under subsidy contracts with the Commonwealth Government. These subsidised services cover 10,456 miles of route, operate some 1,300,000 miles per annum, and carry 7,000 passengers per annum. The remaining 16 services are operating without direct government assistance, or with postal contracts under which the operators are paid for air mails carried at poundage rates. The 27 services are operated by 14 different companies, use 48 aircraft of various kinds, cover 16,553 miles of route, and fly an annual mileage of 3,045,848 miles. For the year ended June 1935 (the figures not being quite complete) the number of passengers carried was 15,400, the freight

carried totalled 211,000 lbs., and 4,600,000 passenger-miles were flown.

Thus it is not surprising that the Government is anxious to consolidate and improve the position of civil aviation in Australia. Its fear apparently is that the system of internal air services would be adversely affected by the use of a coastal route for the overseas mail service, although the former services were in existence long before the Australia–London air mail was inaugurated in December 1934.

Even under the British proposals, connecting land services from West Australia and other centres would still be essential and the present Perth–Darwin link via Daly Waters would have to be retained. It is not easy to appreciate why the internal land services must suffer because there is a direct England–Australia flying-boat connection. Nor has the Government given convincing reasons for holding that the establishment of an aircraft building industry, which is generally regarded as desirable here, is dependent on its retaining control of the Darwin–Brisbane section. The British proposal, it is understood, is that the contract should be between the British and Australian Governments, and not between Imperial Airways Limited and the Australian Government. It is suggested that from an Australian point of view this would not be as satisfactory as the present system of control, which arises out of a contract between the Australian Government and Quantas Empire Airways, in which Imperial Airways has a controlling interest.

The question of defence is more complicated, but it is doubtful whether, as between the Imperial and Australian defence authorities, there are any substantial points of disagreement. Many Australians feel that a definite proposal put forward by the Imperial authorities for their safety ought not to be lightly disregarded. The flying boat and land aeroplane issue can no doubt be argued by experts indefinitely, but it is felt in some quarters that lack of agreement on this aspect should not be allowed to

prejudice the whole scheme, that possibly both types are necessary for defence purposes and that, if so, both can be maintained under the Empire scheme.

The present system involves the use of different types of planes on the Empire route, whereas under the British plan the same type would be used throughout. From the point of view of the co-ordination of the Empire's air defences, it has been suggested that the latter system has great advantages over the former. A difficulty may arise, however, in connection with the provision of suitable bases for flying-boats on the east coast of Australia. Having regard to the strict requirements of Imperial Airways Limited, it is said to be doubtful whether, with the possible exception of Port Stephen, there are any suitable bases on the east coast from which its 28-ton flying boats could operate.

The added cost of the British proposals to the Australian Treasury has never been seriously advanced against them, and it appears relatively unimportant beside the larger questions involved, and in view of the buoyant state of the federal revenues. The cost to the Commonwealth Government, under the proposed local scheme for the Australian–New Zealand service, is estimated to be double that under the proposal submitted by the British Government.

There the matter rests at the moment, and final judgment must be suspended until the detailed defence of the Australian Government's attitude, which may or may not be more soundly based than this survey suggests, is available. It may be hoped that some formula will be devised that will satisfy the legitimate demands of both the British and the Australian authorities. That, at any rate, so far as can be ascertained, is the desire of a large section of public opinion in the Commonwealth.

Australia,
April 1936.

SOUTH AFRICA

I. The Budget and the Gold Mines

THE session so far has been occupied almost entirely by the joint sitting of both Houses, called to deal with the Bill for the political representation of natives. That forms the subject of another section of the South African contribution to this issue of THE ROUND TABLE, which appears as a separate article.* The only other matter of first-rate importance that has so far claimed the attention of Parliament is the budget.

Mr. Havenga found himself again in the enviable position of announcing a substantial surplus in the accounts of the financial year ending on March 31. The revenue showed an increase of £2,678,000 over the estimates. There was a carry-forward of £773,000 from the previous year, and an estimated excess of expenditure amounting to £396,000. There thus remained an estimated surplus of £3,055,000 to be dealt with. Following, as they do, a surplus of £3,273,000 for the preceding year, these figures are a remarkable testimony to the sustained expansion of our industrial and commercial prosperity.

The main sources of increased revenue were customs and excise and income tax, excluding the tax levied on the profits of gold-mining companies, which showed a small decrease. The revenues derived by the State from the profits of gold-mining companies require special explanation, in view of the complications that have resulted from the attempt made since the abandonment of the gold standard to impose special taxation on what has been known as the "excess profits" of gold-mining, *i.e.* the additional profit represented by the increased price of gold as expressed in

* See above p. 528.

our currency. It may be remembered that the first effect of the imposition of this new system of taxation was a feeling of alarm and uncertainty among investors both here and overseas, caused not only by the amount of the imposition but also by the uncertainty of its incidence. In order to allay this alarm and restore confidence, certain undertakings were given by the Government—among others that for the three years 1935–36, 1936–37, and 1937–38 the total taxation (income tax and special duty on "excess profits") was not to exceed 50 per cent. of profits. In practice, however, this undertaking has been applied as meaning that the taxation would be so adjusted as to take 50 per cent. of those profits, and it is this adjustment, and the difficulty of defining excess profits, that have caused most of the uncertainties and complications in the administration of the system. One of the objects of the new system of taxation was to encourage the mining of low-grade ore, and the consequent prolongation of the life of the industry. This object, which was in consonance with the conservative policy followed by the leaders of the industry itself, has been achieved beyond expectations. Since 1932 the average grade of ore milled has fallen by 1·7 dwt. per ton, with the result that, while the tonnage milled was nearly 10,000,000 tons higher in 1935 than in 1932, the yield had fallen by 777,000 ounces. The effect of this rapid drop in grade, combined with the undertaking just mentioned, was that the revenue from the profits of gold-mining fell short of the estimate by £260,000.

Of the surplus of £3,055,000, it is proposed to allocate £1,000,000 to the fund for financing an improved scheme of pensions for public servants, £470,000 in restoration of salary cuts made in 1932–33, £800,000 to the loan fund for making good losses incurred on advances to farmers on account of drought and locust destruction, £250,000 to meet obligations in connection with maize exports, and £500,000 in redemption of debt.

The position of the public debt presented a satisfactory picture. The outstanding debt at March 31 was

£251,000,000, showing a reduction of approximately £23,000,000 during the financial year. At the date of Union the debt amounted to £116,000,000, so that the increase since then stands at £135,000,000. The expenditure on loan account since Union, however, has been £225,000,000, the balance of £90,000,000 being accounted for mainly by credits to the loan account from mining leases and contributions from revenue, cancellation of debt from sinking funds, and special appropriations. The external debt of the Union stands at £104,000,000, slightly less than the figure at which it stood at the date of Union, so that the whole of the loan expenditure since that date has been found from sources within the country.

The estimates of revenue and expenditure for the current year provide, on the existing basis of taxation, for a surplus of £1,850,000, but reductions in customs duties are proposed at a cost of £550,000. Additional expenditure on improved pensions for public servants, on improved old age pensions, and on assistance for the marketing of our agricultural products (including £250,000 for the distribution of milk and dairy products to school children and institutions) will account for the rest of the estimated surplus, leaving a balance of about £100,000. The reduction of 30 per cent. in income tax which was given last year is continued, but otherwise, except for the reduction in customs duties, there is no further relief for the taxpayer.

There is, however, a very important change in the taxation on gold-mining profits. A departmental committee was appointed last year to enquire into the difficulties that had appeared in the working of the system, and, as the result of its report, radical modifications are now proposed. The conception of excess profits as a separate subject for taxation has been abandoned. Based as it was on the difference between a standard price of gold, when our currency was fixed on the gold content of the pound, and the price expressed in our present currency, the ground for its existence has disappeared with recognition of the fact

that the standard price has now only a historical significance. With that conception has gone the principle of adjusting taxation so as to secure for the State 50 per cent. of these assumed excess profits. The new tax will be levied on all profits of gold-mining, taking the place of the existing income tax and excess profits duty. It will be imposed in two stages—a flat rate of 15 per cent. and a graduated rate with a maximum of 35 per cent. The graduated rate is determined by a formula, depending on the percentage ratio of profits to the gold recovered, becoming effective when that ratio is 12½ and upwards, but with a diminishing abatement of £20,000. The new tax is estimated to produce approximately the same amount of revenue, so that there is no reduction in the whole burden on the industry. The improvement is in simplification, a more equitable incidence, and more easily calculable effect. The provisions of the existing income tax law for amortisation of capital over the life of the mine will be continued.

The revenue receipts from taxation of the gold-mining industry are estimated for the current year at £10,260,000, or more than one fourth of the total estimated revenue of £38,330,000. In addition to the revenues from taxation of profits the State obtains a share of the profits derived from the working of mining leases. This, however, is not brought into revenue account, but is paid into the loan fund and used for capital expenditure. The receipts from this source are estimated for the current year at £3,600,000.

II. The Fiscal Problem of the Future

THERE is no harder task for a Finance Minister than to keep down expenditure with an overflowing exchequer. With a state revenue derived so largely as is ours from the exploitation of a wasting asset, it becomes increasingly important to direct the national expenditure to constructive or reproductive purposes. National defence has not so far involved us in extravagant expenditure on armaments,

though in these days of growing air armaments our immunity from outside attack is less assured than it used to be. Expanding administrative staffs at high rates of pay, an inflated scale of social expenditure natural to the high rewards and speculative conditions of a mining community such as ours, obtaining its unskilled labour from a low-paid uncivilised native population—these are the causes and effects of wastefulness in our national expenditure. As a corrective to this there is the policy of allocating a definite share of the revenues derived from mining to extending and developing our national equipment in transport and communications, in public buildings and schools, in the conservation and utilisation of soil and water, and in social services affecting the education, health and living conditions of the people.

It is a common article of complaint among the urban population that the revenues exacted from the mines and the business and industrial community are squandered on subsidising an uneconomic agriculture. No doubt here, as in other countries with a predominant agricultural population, money has been spent wastefully and unwisely in the attempt to keep farmers from insolvency in the face of an unprecedented depression of agricultural prices, whose effects have here been aggravated by the ravages of drought and locusts. That such expenditure should be to some extent influenced by political exigencies rather than by strictly economic considerations is inevitable in a democratic country. Nevertheless, although the gold mines have certainly been heavily drawn upon to meet this expenditure, it cannot reasonably be said that the industry has not been left with a handsome return on the capital invested, or that its expansion has been restricted. Indeed, in spite of all the high taxation, the extension and equipment of existing mines and the opening up of new areas of mining ground have been proceeding at a pace that has taxed to the utmost the available resources of labour and material. With every allowance for the exigencies of the time the Finance Minister

can justly claim credit for a safe and conservative policy in the national finances.

The Minister of Railways had also a "prosperity" budget to present for the operation of the railways, harbours, and airways. The revenue for the past year showed an increase of £4,235,000 over the estimate and a surplus of £3,100,000 over expenditure. The expenditure account included, besides working costs and interest on capital, a sum of £2,800,000 allocated to betterment fund, rates equalisation fund and other "special appropriations", which served as cover for a hidden surplus of the previous year. The last year's working therefore left the Minister with a surplus (including a carry-over from the previous year) of £3½ million on a total estimated expenditure of £32 million. The surplus is disposed of by a special contribution of £2 million to renewals fund, £500,000 to level crossing protection, and £1 million to writing off unproductive capital.

Contemplating these figures, the public has long been expecting a substantial reduction in railway tariffs; for the current year they are asked to be satisfied with reductions in goods and passenger rates amounting to £670,000. For the rest, the estimates for the current year are again swollen with special appropriations for betterment funds, rates and wages stabilisation funds, extra renewals allocations and so forth, amounting to £4¾ million. A strong financial reserve is thus being built up against another cycle of depression, so that, when such a time comes, the administration may be able to carry on for as long as possible without recourse to those cuts and retrenchments and increased charges that accentuate the evil conditions they are designed to remedy. It may not be orthodox finance for a government department, and it disappoints a public that does not feel called upon to make such generous provision for a problematic future. But the day may come when we shall be glad that it has been done.

South Africa,
April 1936.

NEW ZEALAND: LABOUR IN OFFICE

ACCORDING to Labour's spokesmen, the Government's objective is to give every man, woman and child the opportunity to " live an abundant life, a creative life, and an individual life ". This opportunity, it seems, need not await overseas recovery, for New Zealand can be practically " insulated " from outside influences, economic and financial. Internal re-adjustments can then give to the poor the material bases for happiness; and that without penalising the rich. " A great economic and social transformation " is to be achieved, said the Prime Minister, but this will be done with the least possible disturbance, and without injury to anyone's legitimate interests.

I. Unemployment and Public Works

THE main lines of Labour's pre-election programme have already been sketched in The Round Table.* As it had promised, its first care was for the unemployed. The previous Government's provision for a Christmas box was substantially increased, and ultimately £270,000 was handed out as bonus and holiday grants. It was decided, also, that in all work subsidised from unemployment funds full standard wages must be paid, whether the work was being carried out by private employers or by public bodies. Sustenance payments were increased and the wages paid to relief workers in the country raised to a parity with those paid in towns. The functions of the Unemployment Board

* See The Round Table, No. 101, December 1935, p. 205, and No. 102, March 1936, p. 430.

have been suspended, and it is to be abolished; and the administration of the fund has been transferred to the Ministry of Labour, which will administer the Employment Promotion Act, a slightly modified version of the old Unemployment Act. This change follows the trend of development under the last Government; that is to say, emphasis is to be laid upon the stimulation of industrial expansion, rather than upon emergency relief of distress.

Some economies may have followed administrative changes, and recovery had so far proceeded that certain forms of unemployment subsidy could be withdrawn. On February 24 it was announced that scheme 4B (providing for a 50 per cent. subsidy on the labour cost of farm development work carried out by unemployed) had been withdrawn from sheep-farmers, that no further subsidy would be paid on renovations and alterations to private houses, and that subsidies on new houses would be paid only when the contract price did not exceed £700. In spite of such changes, expenditure from the unemployment fund has for many months been exceeding income by a considerable amount; Mr. Armstrong (Minister of Labour) recently estimated the weekly deficiency at £30,000. In addition, at the change of Government the fund was facing a considerable prospective deficit, which would have materialised if the late Government's expenditure plans had been carried out. This situation led to many rumours of impending increase in the wages tax; and it seems likely that the tax may be steeply graduated on higher incomes.

The Government, however, sees unemployment as part of a national problem, to be solved by national measures—among other things, by a vigorous public works policy. Exceptional public attention has been paid to the Public Works Department owing to the activities of its ministerial head, Mr. Robert Semple. He is, in his own phrase, " the same Bob Semple," though a Minister of the Crown, and his vigour and strength of language have left their mark on

New Zealand politics. Further, Mr. Semple is reputed to have been free in his promises to those who have asked for the completion of public works all over the country. It remains to be seen how many of these promises will be endorsed and acted upon by the Cabinet. Probably this will turn upon the vital question of finance; but the public is left with the strong though vague impression that big things are soon to be done. Perhaps these will be ultimately co-ordinated into the "national scheme of public works" promised by Mr. Semple on January 3.

It seems clear, at least, that some major railway construction work is to be carried out, and that this is to be done on the Government's own responsibility. Since 1931 the Railways Board has had charge both of administration and of new construction. No new line could be constructed against the Board's will without a resolution of both Houses of Parliament. It is now announced that the Board is to be dissolved, and that there will be reversion to full Cabinet control, both of administration and of construction. Apparently it is the Government's intention, acting on its new powers, to complete the Napier–Gisborne and other lines. In this connection it might be recalled that the Railways Board in 1931 calculated that that line, if completed, would show an annual working loss of about £40,000, to which should be added about £250,000 for interest charges. (This estimate may need modification in view of recent technical developments, and in particular the possibility of using rail-cars.) In a further report (only recently made public) the Board offered to work the line provided that it was completed without capital liability to the Board and that the railways were given a monopoly of all traffic to the district. The late Government was not prepared to force existing motor services off the road, but there are indications that the present Government may be willing to act in some such way. Its members declare that there will be no interference with individual rights, and that the railways would win simply by giving the best possible

service; but Mr. Semple has said repeatedly that when a line was completed the Government would expect people to give hundred-per-cent. loyalty to that railway, and not to support " throat-cutting " competition. There seems some reason to think that new railways (if not old railways) may be based upon legalised monopoly. There is also a distinct prospect that further road-transport services may be purchased and operated by the railways.

Under Mr. Semple the Public Works Department is to be used not only to build new railways, but also as a spear-head in the fight to establish a new social order. In consultation with union leaders, Mr. Semple worked out a new agreement between the Department and its employees. The Department is to employ no more men at relief work rates. (In January the Department was employing a total of 13,750 men, of whom 8,500 were on relief rates of pay.) If employed at all, men are to be paid standard wages, and given up-to-date equipment. Considerable importance attaches to these changes. During recent years the question of unemployment relief has often dominated public works policy. For example, primitive machinery has often been used simply because it needed more labour to work it. This policy, together with the payment of wages at relief rates, seriously damaged the efficiency of the Department's work, and also the self-respect of its employees. The new policy should help to remedy these things, though it will tend to increase unemployment figures—a point which is not generally realised. The new standard wage is understood to be 15s. per day, with corresponding increases for semi-skilled and skilled workers. The same wage is to be paid to married and single men, and to Maoris. There is to be a 40-hour week, made up of five 8-hour days, so that the cash weekly wage of an unskilled worker will be £3 15s. The last agreement, which ran from November 1930 till October 1932, provided for a wage of £4 2s. 3d for a 47-hour week; but these figures do not give a satisfactory indication of wages normally

paid immediately before the new agreement went into force. Pay is to be distributed fortnightly instead of monthly, at an additional cost to the Department of £7,000 per year. Accommodation is to be improved, and social amenities (such as libraries) provided. Men are to be entitled to 5 days' leave on full pay after a year's service, and 10 days' leave after two or more years' service. When engaged, men are to be transported free to their place of employment; and (it is hoped) they will be carried free from one job to the next.

Where possible, work is to be carried out on a co-operative basis, but it is understood that all employees are to become members of the New Zealand Workers' Union. In the event of any dispute, the men are to remain on the job, while the points at issue will be referred to the district engineer, failing him to the engineer in charge of the Public Works Department, and finally to the Minister. Mr. Semple said that this agreement "was the best of its type in Australasia, if not in the world", and expressed the hope that it "could be an example to the rest of the world". Union leaders have expressed themselves as equally well satisfied.

II. Labour Legislation

MR. SEMPLE'S "new deal" affects only the employees of one government department, but it is not intended to leave other workers permanently out in the cold. The conduct of the State as "the ideal employer" will doubtless do much, and Ministers hope that revised labour legislation will at least make secure a reasonable minimum of progress. Some time ago the Minister of Labour announced that he would introduce four major Bills during the coming session of Parliament: Bills amending the Conciliation and Arbitration, Workers' Compensation, Factories, and Shops and Offices Acts. And he has also prepared an amendment to the Apprentices Act which will be introduced in due course.

It is understood that in all these Bills substantial concessions will be made to the workers, but it is only with respect to the Arbitration Court that the Government's intentions have been disclosed in some detail. By the amending Bill now before the House, compulsory arbitration is restored, so that if conciliation fails either side will have the right to take the matter to the Court for settlement —that is to say, in this matter New Zealand is to return to the position originally taken up more than 40 years ago, and only abandoned during the depression. In addition, the Court is to apply the 40-hour week to all new awards, and to all existing awards on the application of either party. But any employer may appeal against this provision, and " show cause " why the shorter working week should not be applied to his industry. Again, within three months of the passing of the Act the Court is to declare a basic wage for adult workers, taking into account the Dominion's general economic condition and the cost of living; a man's wage will be " such as to enable him to maintain a wife and two children at a standard of comfort to which it is considered *they are entitled* ". There is to be absolute preference for unionists in all industries governed by awards; and union organisers are to have the right to interview men during working hours. The constitution of the Court is to be unchanged, but the Minister intends to set up a new court of similar constitution to relieve it of compensation cases.

III. Regulated and Guaranteed Prices

NEW industrial legislation is part of a fairly general movement to re-plan society by government action. Individual Ministers have urged that in view of the state of world markets for primary produce the only solution for New Zealand's problems lies in the planning of production with an eye to the markets available and in the expansion of " secondary " industries. Mr. Sullivan, Minister of Industries and Commerce, adds that such expansion can

be achieved economically only if industries are thoroughly efficient—and planned. However, national planning is far from being practical politics at present; the concern is rather to settle day-to-day problems. In so far as any general principle emerges from the handling of such problems it is stabilisation through price-fixing. This, it is claimed, benefits the employer by eliminating "cut-throat competition"; and accordingly he can be induced to pay higher wages to his workers.

Practical examples of the Government's policy were provided in February. Existing legislation gave the Government power to regulate the wheat, flour, and baking industries; and this power had been partially exercised during recent years, though the prices of flour and bread have been unregulated. On February 9 the Government announced a scheme of fixed prices running right through the three industries. The average price for Tuscan wheat, March delivery, is to be 4s. 9d per bushel, f.o.b.—an increase of 1½d per bushel on 1935 prices. In addition, the North Island rebate is abolished, which means (on the average) an additional 2½d per bushel for the grower. The price of flour at the four main centres is fixed at £13 8s. 7d net; and in those centres the price of the 2-lb. loaf is to be 5d. In the provinces the prices of flour and of bread are to be increased where necessary to cover transport costs. The market is to be protected by an embargo on the importation of overseas flour and wheat; and increased wages are to be paid throughout the industry. The scheme is to be administered by a reconstituted Wheat Committee whose members are drawn from the three industries—farming, milling, and baking—and whose chairman is the Minister (Mr. Sullivan).

This plan produces higher prices to the farmers, higher wages, and (in many cases at least) lower prices for bread. In Wellington, for example, the retail price had been 5½d for the 2-lb. loaf. Broadly speaking, the scheme has been well received, though bakers have emphasised that their

rate of profit will be cut almost to vanishing point. In particular small bakers complain that existing competition from big factories makes the fixed price unremunerative. Certain other problems have also been pointed out, and may prove important in the long run. For example, wheat is to be allotted to mills, as in the past, on the basis of their share of the market during recent years. But no provision is made for closing down inefficient or redundant mills. Indeed, one obvious effect of the scheme will be to save such mills from threatened elimination through healthy competition. Again, the embargo on overseas flour may seriously affect the quality of the loaf by preventing the importation of the small quantities of North American flour that have been blended with the local product. Finally, with respect to the wheat farmer, there is the danger that the fixed price for wheat may prove unduly attractive and lead to the production of more wheat than can be consumed locally—in which case the surplus might have to be sold at prices much below local levels. Alternatively, the fixed price may not be sufficiently attractive, in which case farmers may turn to other crops. This question will clearly turn on the level of guaranteed prices fixed for other primary products.

On February 13 the Government launched its second venture in price-fixing. It had long been notorious that there was price-cutting among Wellington petrol re-sellers. The wholesale price of standard grade petrol has been 1s. 7d per gallon and of "premium" grade 1s. 8d per gallon. Normal retail prices have been 1s. 10d per gallon and 1s. 11d per gallon respectively. But some retailers had undercut to the extent of 1d or even 2d per gallon. Accordingly the Government, using the powers provided by the Motor Spirits (Regulation of Prices) Act, 1933, announced that after February 14 retail prices for the two grades of petrol were *fixed* at 1s. 10d and 1s. 11d respectively, while the existing wholesale prices became *maximum* prices. At the same time the Government announced that

the re-sellers had agreed to raise the wages and reduce the working hours of those employees whose conditions of work were not already governed by separate awards. The weekly wage of adult employees, for example, is raised from £3 15s. to £4 10s., and hours reduced from 50 to 44 a week. These arrangements—which applied to Wellington only—have been welcomed by petrol re-sellers, and there have been many requests for the extension of the scheme. The main criticism is that the scheme subsidises inefficiency by keeping in operation an uneconomically large number of distributing stations; and some consider that retail prices have been fixed too high—at the consumer's expense.

The fixing of prices of wheat, flour, bread, and petrol was in the main an internal problem; more serious difficulty obviously stood in the way of the Government's scheme of stabilised or guaranteed prices as applied to the great exporting industries. Labour's pre-election manifesto promised that "during the first year after taking office the Government will pay guaranteed prices for all primary production". At present the intention appears to be to confine the scheme during the first year to wheat (as outlined above) and to the dairy industry, which, it is said, is in most need of assistance at present, and which has proved its general efficiency by doubling its volume of production during the last few years. The Government has in fact announced that guaranteed prices will be paid in the dairy industry during the export season commencing on August 1 next. As to details, nothing has been officially published, and nothing has yet been laid before the caucus. Early in February a committee of experts was appointed to go into the matter. This committee was mainly composed of departmental officers; and it included two professional economists of excellent reputation. It is significant of the nebulous state of the matter that the committee, instead of at once working out a method of applying *the* guaranteed prices scheme, produced (after a month's work) several

alternative schemes, sketched in outline. It was understood that the Minister of Finance would then choose one of the schemes and refer it back to the committee to be translated into concrete detail.

Meanwhile certain scraps of information have been made public. The Dairy Board's marketing scheme, which was to have been introduced on August 1,* has been suspended. The Government will assume ownership of all dairy produce, and make itself responsible for marketing. The produce will be bought at fixed prices f.o.b. in the main ports; that is, fixed prices will be paid for butter and cheese, not for butterfat as supplied by the farmer. There will be a special Dairy Industry Account (financed by the Reserve Bank) which will make good any deficiency arising from differences between buying and re-selling prices, and into which any surplus will be paid. As to the price to be paid for butter and cheese, no announcement has yet been made, but it will be based on the weighted average of prices actually paid to farmers for butterfat during "the past eight or ten years". To this will be added sums based on the average cost of manufacture and of transport to the main ports.

The Government is pledged to allow a New Zealand Dairy Conference to discuss the proposals fully before matters are finally determined. Meanwhile it has reached an agreement with the Farmers' Union regarding the wages to be paid in the dairy industry. It is said that these wages are to be on a sliding scale which will vary with fluctuations in guaranteed prices. They will, however, probably bring a substantial improvement of conditions to the workers, and be an instalment in the general policy of improving the lot of agricultural workers as a whole. Some such improvement will clearly be necessary to enable farmers to retain labour in face of competition from town employers and public works.

The success of a scheme of guaranteed prices in the

* See The Round Table, No. 101, December 1935, p. 210.

exporting industries will obviously depend largely on the state of overseas markets. Mr. Nash (now Minister of Finance) has long argued that the scheme could only work with stabilised (and perhaps extended) markets organised in a system of reciprocal trade agreements. Recently the opinion has been growing that such agreements should not be confined to Empire countries, but should be extended to "those foreign countries who are willing to trade with us on mutually satisfactory terms," * on the model of our successful trade agreement of 1933 with Belgium. During its short term of office the Government has achieved nothing positive in this direction beyond negotiating a continuance of the beef export agreement with Great Britain (which expired at the end of 1935). Mr. Savage, however, has spoken enthusiastically about the prospects of "doing better in Britain". He looks forward to early consultations with the British Government about the matter, and perhaps to the creation of some permanent Empire-wide consultative machine for handling trade problems. And there are hopes that the collapse of the Anglo-Danish negotiations may redound to New Zealand's benefit.

IV. Finance

IN the long run, overseas markets may decide the success or failure of Labour's scheme, but for the moment even more interest attaches to the question of finance. Labour's pre-election promise was to "assume control of public credit and establish a national credit authority whose duty it will be to provide a money service sufficient to give effect to the will of Parliament". It has never been made clear, however, whether this involved more than making the Reserve Bank a state institution. The intention to carry out this change was for long the only thing known definitely about the Government's financial policy.

* Mr. M. G. C. McCaul, President of the Wellington Chamber of Commerce, on March 10, 1936.

A careful survey of the powers of the Reserve Bank, which was set up in 1934, showed them to be considerable; for example, it had undisputed control over currency and the exchange rate.* Nevertheless (as compared for example with the Bank of England) its influence was severely limited by its constitution, by existing financial conditions, and by lack of prestige. Thus, the Bank was legally barred from holding more than a limited amount of long-term government securities, or from advancing to the Government more than half its estimated revenue for the year. As to existing financial conditions the fact seems to be that the trading banks have at present such a plentiful supply of ready money that they could probably have ignored the Reserve Bank's credit policy—especially as the amount of their reserves that had to be deposited with the Reserve Bank could not be varied. Again, the Bank could not use two of the main instruments by which the Bank of England controls credit conditions: "open-market" operations in government stock, and control of a large short-term bill market. In New Zealand there is no such bill market. As to "open-market" operations, apart from limitations on the Bank's powers to hold long-term securities, the fact seems to be that in such a small and sensitive market as ours such operations by the Bank might have catastrophic results.

Finally, it must be remembered that the Bank of England exercises much of its influence through prestige, and through the customs of English banking. The Reserve Bank's prestige was comparatively low. It was a very new institution, and was viewed with some apprehension. Further, its authorities did little to educate us to understand and value the Bank. Indeed, public and shareholders were given little information as to its activities, policy, and importance. Mr. Lefeaux (the Governor) has been criticised for following

* Little has recently been heard of the pre-election promise to reduce the exchange premium on London, but on March 30 Mr. Savage said that there was no possibility of a reduction in the immediate future.

"so closely the tradition of Mr. Montagu Norman in preserving a statuesque silence." *

The Reserve Bank Amendment Bill, as actually explained to Parliament at the beginning of April, followed the expected lines. The private shareholders will be bought out at market values at the time of the election. Directors will in the future hold office during the pleasure of the Governor in Council; but there is no present intention of changing the directorate or administration, and the present Governor will remain in office.

> The Government would inform the directors, or the Governor, of what it desired to do (said Mr. Nash), and if sound reasons were advanced why it should not be done, then it would not be done. If, on the other hand, the Government felt that what it asked could be done, then the directors would be asked to give their co-operation.

Mr. Nash added that "Mr. Lefeaux, although not favouring the principles of the Bill, had assisted in its drafting, and was prepared to co-operate with the Government in its administration." † The "general function" of the Bank is stated in the Bill to be

> to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance.

To that end it is to have absolute control over currency, credit, and overseas exchange; and "power is taken to make regulations to enable the Bank to fulfil its functions". Among other things the Bank will have power to decide whether or not to allow any individual to have access to sterling exchange, which will enable the Government (through the Bank) to regulate imports. For the rest, the Bill removes the limitation on the amount of government securities that the Bank may hold, and allows the Government to borrow on treasury bills up to the amount of its

* See *Economic Record*, December 1935.

† See reports of debate in the House in the Wellington *Dominion* and *Evening Post*, April 7 and 8.

estimated revenue for the year. Power is given to the Bank to underwrite government loans, to lend money to the government or to statutory bodies concerned with marketing New Zealand produce, and to vary the amount of reserves which the trading banks must deposit with it. Finally, the trading banks are required to provide periodical statistics of overdrafts which have been authorised but not used. It is hoped that this provision will give the Reserve Bank prompt information as to the trading banks' credit policy.*

In short, the Bill greatly increases the Bank's power and places it effectually under government control. It remains to be seen what practical use will be made of the new powers—many of which the Minister says will simply be held in reserve. However, it is expected that the Bank will be used to finance the Government's plans and also to carry out a general policy of credit expansion. The suggested financing of government expenditure with treasury bills might have interesting consequences in New Zealand. In the immediate future it would tend to promote an expansion of bank credit; and in the long run it might help to build up a local market in short-term bills, and so provide a means by which the Reserve Bank could powerfully affect local credit conditions.

It should be added that in the opinion of many economists conditions in this country point to the desirability of adopting a policy of credit expansion. The doubt is whether the Government and Reserve Bank, once launched on that policy, could and would control it satisfactorily. Further, some political interest attaches to the details of the financial machinery adopted. The support of Douglas Credit sympathisers was an import-

* The Government used its large and disciplined majority to force the Bill through the House within a few days, in spite of Opposition protests and stonewalling (which led to 22 hours' continuous session). Opposition criticism was directed mainly against political control and the extent of powers taken: and it emphasised the possibility and danger of inflation.

ant factor in securing Labour's return to power, and there are in the Cabinet and the party caucus a number of men convinced of the possibility and desirability of "costless credit". If the Government abandons this conception some trouble may be expected both in Parliament and outside. So far, it seems, the question has been tactfully smoothed over. But a suggestion of financial orthodoxy has already drawn the sharp rebuke: "If the Minister of Finance to the Labour Government cannot create money with a wave of the hand, he is evidently not the man for the job".

V. Changes in Administration

APART from its financial importance the amendment of the Reserve Bank Act will be a step towards the realisation of the Government's general policy—that all phases of the nation's life should be directly under the control of the people's representatives, organised in a re-vitalised Parliament. Private members (of the Government party) will no longer merely vote in favour of measures framed by their leaders. They are to be parcelled out as assistants to the various Ministers, and so gain practical knowledge of administration. Sharing of work carries with it sharing of salaries. All salaries (ministerial and otherwise) go into a pool from which each full-time working member of Parliament draws a share, Ministers' shares being slightly greater than those of private members. Critics point out that this plan may have unexpected constitutional results; but Labour insists that it is consistent with discipline and with ministerial responsibility—and is, in fact, "one of the most remarkable and inspiring developments in connection with the advent of the Labour Government".

The full team of energetic parliamentarians, it is felt, should have little need for experts and non-political boards to "do their thinking for them". It has been claimed that "New Zealand gave this Government an anti-board, anti-commission, and anti-committee mandate". There was,

in fact, a fairly general feeling that in recent years responsibility had been unduly delegated, and that too much use had been made of boards whose members sometimes gave only part-time service and had wide private business interests. Certain Ministers—notably Mr. Semple—have expressed this point of view with such vigour that some have anticipated a clean sweep of boards and commissions of all kinds. It now appears that there is to be no wholesale slaughter. Most of the boards are to be retained, with or without important changes in constitution. Also, the Government is not averse to setting up new bodies to advise it, where this appears necessary. Notable examples are the Bureau of Industry (attached to the Ministry of Labour) and the various committees which have been working on finance, guaranteed prices, and so forth. However, it is clear that many important institutions are likely to have their independence severely limited, and the Unemployment Board, Transport Co-ordination Board, and the Railways Board are to be abolished altogether.

The arguments against politically guided railway policy are familiar. In addition, there is a general criticism, which has some force, against the Government's policy of direct ministerial control. In all departments there is a tendency for questions for decision to be taken direct to the Minister in charge. Such a practice, if carried to extremes, is open to serious objections. First, many problems arise which require judicial settlement; and the Minister, though an able debater and administrator, may not have a judicial mind. Secondly, the system throws on each Minister a staggering burden of work, and may lead to serious delays, even though Cabinet Ministers at present seem to be possessed by demons of energy. Fears are expressed, too, that they have undertaken so much detailed work that their control of broad policy may be impaired. Again, if the volume of work becomes too great Ministers will necessarily be guided largely by departmental officers. Consequently, the upshot of the Government's policy may be to transfer

control of policy from boards, which are at least visible to Parliament and the public, into the hands of an anonymous and inaccessible civil service.

The Labour Government has repeatedly claimed that it commands greater popular support than any previous Administration. The accuracy of this claim is difficult to test. The public approves of the vigour and freshness of mind shown by the Cabinet, and on the whole has refrained from serious criticism. No doubt this is partly due to the fact that Labour's objectives are still expressed mainly in the form of social ideals which are in theory acceptable to all, and of measures stated in such broad outline as to be hard to criticise. We all desire social justice, a new and enlightened education policy, a nation-wide transport co-ordination scheme with justice to all, increased pensions, generous superannuation, and so forth; but acute differences of opinion may be expected when the Government announces in further detail the particular steps by which it proposes to realise its objectives.

New Zealand,
April 7, 1936.

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No. 101. DECEMBER 1935

No. 102. MARCH 1936

PRINTED IN GREAT BRITAIN BY
RICHARD CLAY & SONS, LIMITED,
BUNGAY SUFFOLK.